

JAPAN–RUSSIA RELATIONS

IMPLICATIONS FOR THE U.S.–JAPAN ALLIANCE

Edited by Gilbert Rozman

SASAKAWA USA

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Sasakawa Peace Foundation USA

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Contents

Preface

The U.S.-Japan relationship is at one of its post-World War II high-water marks. Last year's update of the Bilateral Defense Guidelines, Prime Minister Shinzo Abe's successful address to a joint session of the U.S. Congress, the Diet's passage of legislation to allow greater military cooperation with the United States in some circumstances, and the signing of the Trans-Pacific Partnership were all historic steps forward.

However, as in any complex relationship between major countries, there are potential points of difference. Part of our mission at Sasakawa USA is to identify these differences and help find ways to address them. Russia presents a fascinating opportunity to do just that.

The U.S. view of Russia is currently dominated by Russian aggression in Crimea, the Ukraine, and Syria. Japan's view is quite different. Despite a recent increase in violations of Japanese air space by Russia, it is a relatively weak player in Asia; China poses a greater threat to Japanese interests. Although Russia still occupies the Northern Territories it seized from Japan at the end of World War II, Russia is a potential source of energy at a time when most of Japan's nuclear power plants remain closed.

As Princeton University's Dr. Gil Rozman states in his excellent and comprehensive introduction:

> The recent relationship between Japan and Russia has defied conventional stereotypes. It has also irritated U.S. officials at a time when the United States wants a united front with Japan to confront Russia's aggression in Ukraine, its non-cooperative approach to intervention in Syria, and signs that Moscow has revived Cold War thinking in its military posture.

Last year, in partnership with the Carnegie Endowment for International Peace, Sasakawa USA convened a conference to explore the triangular relationship among the United States, Japan, and Russia. Economic and security experts, along with experienced diplomats from all three countries, discussed the history of key issues and the prospects for progress.

This volume, edited by Dr. Rozman, is a result of that conference. It brings together the analyses of conference participants, who describe an underdeveloped Japan-Russia economic relationship, a series of ingenious but unsuccessful diplomatic and cartographic attempts to divide the Northern Territories in a way that both countries could claim as a win, and very subtle signaling by Russia and Japan that their concerns about China may present a margin for better relations with one another.

The conference highlighted differing assessments, objectives, and priorities about

Russia between the United States and Japan. However, there is low likelihood of progress on either Russia-Japan economic relations or the Northern Territories issues, and the U.S.-Japan Alliance is capable of handling the issues without damage.

Adm. Dennis Blair, USN (ret.)
Chairman and CEO
Sasakawa USA

Daniel Bob
Director of Programs and Senior Fellow
Sasakawa USA

Introduction

Japan-Russia Relations under Abe and Putin: Progress and Prospects

Gilbert Rozman

A breakthrough between Japan and Russia is being vigorously pursued in 2016. Sixty years after the reestablishment of diplomatic relations between Tokyo and Moscow, there is a prospect of a peace treaty and final resolution of their territorial dispute. Yet few have taken notice or considered the ramifications. This volume takes the prospect seriously, while recognizing the hurdles that stand in the way. It presents the insights of former diplomats and specialists from Japan and Russia, adding a U.S. perspective on geopolitics, and, in this introduction, draws together arguments in the volume while assessing the prospects for a breakthrough. We seek to inform readers about what has taken place over the past three years, and, even more, about the forces impacting this ongoing quest, whose strategic impact in the wider great power context could be notable.

This diplomatic effort has drawn scant attention for at least three reasons: (1) listener fatigue, after earlier Japanese media sensationalism about a breakthrough just around the corner; (2) dearth of news on any progress over three years of talks; and (3) absence of obvious preconditions, since impressions of Abe and Putin do not suggest that they would be compromisers on territorial integrity and national identity, particularly as geopolitics and geo-economics seem to be pulling them apart. By pointing to factors different from those operating when hopes were dashed before, and conveying new information about Russo-Japanese exchanges and expectations, we make the case for why it is time to pay close attention, but with a sober outlook on conditions that complicate efforts to find an outcome welcome to both sides.

Contents of the Volume

It is more than fifteen years since the Irkutsk summit, when optimism peaked for a breakthrough in Japanese-Russian relations. After years of stop-and-go hints that serious talks would be resumed, always followed by mutual recriminations, Prime Minister Shinzo Abe's visit to Moscow to meet President Vladimir Putin on April 29–30, 2013 aroused hopes anew. Despite deep skepticism from observers and new barriers to be overcome, due to unforeseen geopolitical and geo-economic forces, Abe has persisted in looking

optimistically at this opportunity to work with Putin and conveying that message through those who work with him and Japan's largest circulation newspaper, *Yomiuri Shimbun*. In 2016, anticipation in Japan is growing for Abe and Putin to address the three main areas that will determine the future of Japan-Russian relations: the territorial dispute over four islands and the peace treaty linked to it; the economic ties across the Sea of Japan, with energy in the forefront; and the security framework for the Asia-Pacific region, with China in the background. In light of the great importance of ever more adversarial U.S.-Russian relations and recently unprecedented U.S.-Japan alliance coordination, the U.S. role must not be overlooked.

For a breakthrough to be reached, there must be a territorial agreement leading to a peace treaty. Russia is keen on an economic arrangement. Japan is increasingly focused on a geopolitical payoff. One can see, in the chapters that follow, divergent notions of how a deal could be achieved. We should not forget also that Abe and Putin both have strong views on how to reconstruct their countries' national identities, and the transfer of territory cannot help but arouse debate about what those national identities should be. After all, Japan's loss of the islands plays a large role in its identity as a victim in 1945, while Russia has been showcasing its role as a victor, claiming that its acquisition of the islands was the just fruits of past sacrifices.

This volume begins with the joint response to the spring 2013 summit by two former diplomats closely associated with the Irkutsk statement. At the time, they reflected on how talks could build on the legacy of past negotiations and what would be necessary to strike an agreement. The article by Kazuhiko Togo and Alexander Panov appeared in Russian and Japanese on July 18, 2013; with this English translation, it gives us some insight into how the Abe-Putin initiative was perceived at the outset. It is followed by chapters newly written for this publication by Ambassadors Togo and Panov, assessing where the talks stand and what, now, needs to be done. Part I of the volume also includes a contribution by Keio University professor and Sasakawa USA distinguished non-resident fellow Tomohiko Taniguchi, showcasing the enthusiasm for the talks in the Abe administration and anticipating vigorous diplomacy during 2016.

The overriding theme in these chapters is the search for a path forward. Togo draws more on the legacy of past negotiations, explaining earlier failures by stressing the lessons that can be learned to finish the quest, while Panov insists that the context is different, due to new realities. Whereas Taniguchi is brimming with hope, Togo fears that Russia has moved the goalposts amid new global geopolitics that make a deal rather unlikely, and Panov expresses outright pessimism, because Japan has not changed course given the new geopolitical environment. Panov leaves the door slightly ajar for leaders to proceed, and Togo sees ample reason for them to do so. If Taniguchi's vision of Abe's eagerness is any indication, Putin's readiness to show flexibility would be the deciding variable in whether

there will be a burst of fresh momentum in 2016 with the possibility of a breakthrough. Serious problems stand in the way of progress, and tit-for-tat exchanges between officials have not helped matters, but Taniguchi alerts us to strong intentions on the Japanese side, which presumably have been encouraged by Putin.

Part II of the volume is devoted to the geostrategic issues influencing the search for a breakthrough. Five chapters by authors in Russia, Japan, and the United States offer widely divergent interpretations of how security is affecting the quest for an agreement. In past coverage of talks between Moscow and Tokyo on normalization, the territorial dispute and each side's stance in dealing with it drew the bulk of attention. This time is different: both sides appear to have imposed a taboo on media speculation about how they might compromise, and no talks have been revealed that address what a compromise might entail. Togo and Panov refer to the contours of a possible deal and the fact that differences between the two sides remain a stumbling block, while other specialists on the two sides are more inclined to write about the geopolitical context. The chapters by the director of Japan studies at Moscow State Institute for International Relations, Dmitry Streltsov, and Chuo University professor Yasuhiro Izumikawa have parallel titles and cover the U.S. and Ukraine factors, concluding with assessments of how much strategic interests do or do not overlap. A sharp difference is evident in the prominence Izumikawa gives to the China factor, in contrast to Streltsov's reluctance to present it as a source of strategic overlap. In the chapters by the Russian Academy of Science's Georgy Toloraya and the Center for Analysis of Strategies and Technologies' Vasili Kashin, there is more discussion of Russia broadening ties in the Asia-Pacific region beyond China, without accepting Izumikawa's position on how strategic interests overlap in facing China. Drawing together the arguments in these four chapters and adding a viewpoint from the United States, Frank Januzzi, president and CEO of The Maureen and Mike Mansfield Foundation, points to the gaps in Japan's and Russia's geostrategic thinking at a time when China unavoidably looms large in complicating the search for a bilateral agreement. Yet Abe's alarm about China, as well as Putin's anger at the United States, may bring them together in a manner Washington would not welcome, as explained later in this introduction.

The two geo-economic chapters reflect recent challenges in driving relations forward. Hirofumi Arai, director and senior research fellow at the Economic Research Institute for Northeast Asia, sees some prospects for an energy deal, although not the grand scheme for transforming the Russian Far East that some suggested before global prices dropped sharply and China gained the upper hand economically. Meanwhile, Alexander Gabuev, senior associate at the Carnegie Moscow Center, disagrees with some commentators who fault the territorial dispute for the slow progress in advancing economic ties, placing much of the blame on problems on the Russian side. Japan might agree to a limited energy deal, but that would not be decisive in changing the climate for the Russian Far East. Any agreement is

likely to have some economic component, and these chapters prepare us for grasping what is now possible. Liquefied natural gas (LNG) would presumably be the main focus of any economic deal.

The Significance of the Search for a Breakthrough

The recent relationship between Japan and Russia has defied conventional stereotypes. It has also irritated U.S. officials at a time when the United States wants a united front with Japan to confront Russia's aggression in Ukraine, its non-cooperative approach to intervention in Syria, and signs that Moscow has revived Cold War thinking in its military posture. Some Japanese argue that their country has an opportunity with Putin to resolve a longstanding, serious issue of little relevance to the problems U.S. officials cite, or even that Russia's role in the Asia-Pacific region must be seen as separate from its role in other regions. Divergent analyses of geopolitics are being tested. Russians make the case that their country can play a big role in stabilizing the Asia-Pacific region and that much-expanded trade with Japan can be a powerful driving force for mutual trust. The arguments presented by both sides tell a story of geopolitical illusions and frustrations, geo-economic promise and failure, and increasingly divisive historical memories that, to date, overwhelm pragmatic diplomacy. It does not follow, however, that U.S. opposition will prevent Japan from gutting the weak sanctions it had imposed on Russia, given Tokyo's focus on China as both a geopolitical and national identity threat, or that Russia will not be eager to use Japan to drive a wedge in U.S.-Japan relations.

The years 2013–15 witnessed spurts of optimism—especially from the Japanese side—about the prospects for a breakthrough in Japan-Russia relations, but they were also marked by bouts of pessimism—the gloomiest of which came only in the fall of 2015. Viewed through the lens of Japan's territorial demands; the development requirements of Russia's Far East, U.S., and Chinese strategic concerns; and global geopolitics and geo-economics; prospects for an agreement would seem, today, to be more remote than earlier. However, we would be remiss to ignore reasons why, surmounting many frustrations, the quest by Abe and Putin continues in the face of both U.S. and Chinese concerns. Indeed, Japan started 2016 conveying a tone of optimism and of compromise.

The Case for a Breakthrough within Reach under Abe and Putin

There are longstanding reasons, predating the 2010s, for Japanese and Russian leaders to reach an agreement to normalize their relationship with a territorial demarcation, a peace treaty, and a sense of shared interests and common destiny. One reason is that, without the image and substance of normalization, the two sides are at a disadvantage in great power

maneuvering, losing leverage in balance of power politics. Given that Putin champions multipolarity and Abe is eager for a more robust Asian foreign policy, the old arguments have not lost their force. Another reason is that economic complementarity is seen to be insufficiently realized, without normalization. With Russia dependent more than ever on energy and natural resource exports—and conscious that Asian markets are the most promising—and with Japan, in the wake of the Fukushima nuclear reactor disaster, in search of stable supplies of natural gas, assumptions of complementarity continue to be voiced. Some boosters of closer relations have also made the case that the two countries, in constructing national identities, look back to ambivalence about joining the West and forward to escaping the shadow of unsatisfying legacies of the Cold War era, and, therefore, have parallels that could lead them to find mutual identity benefits. As polarization between the U.S.-led West and the China-led East intensifies, both could stake out a position of their own, reinforcing each other's quest for greater autonomy. In Abe's obsession with reconstructing Japan's national identity after the dearth of pride in the postwar period and Putin's obsession with reconstructing Russia's national identity after the disaster of the Soviet Union's collapse, the national identity card has more relevance.

The extreme versions of these arguments for a breakthrough have lost ground, but there is still residual support for some version of them. Russia has drawn closer to China, while Japan has tightened its U.S. alliance, but there are still geopolitical benefits in store from a bilateral breakthrough. Russia has mainly hitched its Far East economic wagon to China, and Japan's economic clout is not the juggernaut perceived through the mid-1990s, but the geo-economic case for closer ties has survived. Also, despite growing reticence to challenge their two closest partners, especially in national identity terms, Abe and Putin are more determined than ever to forge distinctive identities, which is difficult in our times, without a great power partner to boost leverage.

There is also a newer rationale for reaching a breakthrough. China's rise has been sudden and transformative, leaving the two great powers in closest proximity to it with stronger balance of power justification, in the mid-2010s, for turning to each other. Japanese writings alternatively insist that Russia must now be guided by that reasoning or that Japan is, implying that China's aggressiveness toward Japan since 2012, and/or Russia's isolation since 2014, are reasons for a fresh approach to bilateral ties. Another new consideration is that economic forces have now humbled both Japan, which in the 1990s was overconfident in its leverage over Russia, and Russia, which to 2014 conceived of itself as an energy superpower as prices kept rising. More modest economic outlooks can lead both sides to proceed realistically.

The stars appeared to be aligned in 2013 for a breakthrough in bilateral relations, if one considers five factors that could be seen as preconditions: leadership, awareness of a shared framework for the territorial dispute, regional geopolitics, bilateral economics, and national

identity as understood by many in the elite on both sides. Never before had such an alignment been present, even if neither side was ready to recognize its full scope, given each country's illusions about its diplomatic options and reluctance to strengthen the negotiating position of the other. Failure to capitalize on previous, favorable alignments resulted in caution.

Leadership was the most widely cited reason for optimism. The assumption has prevailed that Abe and Putin have the patriotic credentials to bring many along who would normally be critics, that they are so securely established in power that both could act boldly, and that the record of each when previously in charge revealed a priority for tackling this relationship. When Putin spoke of *hikiwake* and *hajime* to jumpstart talks, and Abe rallied Japan behind his personal diplomacy with Putin, the leadership factor loomed especially large.[1] If other sources of optimism have receded sharply and Putin's interest is more in doubt, the one remaining source is Abe's thinking, which may be captured in the rose-colored, start-of-the-year *Yomiuri Shimbun* article about Japan's two diplomatic missions in 2016: show leadership at the May Ise-Shima G7 meeting, and intensify personal diplomacy with Putin to reach a breakthrough (to be facilitated by Abe meeting Putin in the spring and playing the role of bridge between Putin and the G7 in Ise-Shima).[2] Having achieved great success in his diplomacy in 2016, Abe appears to have prioritized a deal with Russia (North Korea and the abductions problem is another legacy issue, but he had to set it aside) and to have, despite evidence to the contrary, confidence he can achieve it. Whether driven by his father's unfinished agenda, the view that rapprochement with Russia is key to forging a "normal Japan," or an obsession with China that he thinks he has a way to counter, Abe remains highly determined and, apparently, has received encouragement.

Reminders that the Irkutsk summit of 2001 resulted in a framework described as "two plus alpha" provided a second reason for optimism, although officials and media on both sides were reluctant to acknowledge it for fear of either arousing a backlash at home or emboldening the other side to insist on a more favorable outcome. Actually, Japanese are more apt to include the Irkutsk agreement in their assumptions that a framework exists, while Russian commentaries deny this, insisting that a new framework must be forged. Two architects of the Irkutsk agreement, Togo and Panov, disagree on this count. For Togo, this framework remained the fallback position—and was actually developed further over the following decade, but for Panov, when no new diplomatic proposals were forthcoming after Japan turned its back on the agreement, the framework was gone.

Even so, interpreting Irkutsk as in line with previous offers by Moscow to transfer two islands, Putin might be able to sell this to the Russian people, while Abe could claim

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[1] *Hikiwake* refers to a draw in a judo match (Putin has a black belt in judo), while *hajime* is the verbal command to "begin" in judo and other Japanese martial arts.

[2] *Yomiuri Shimbun*. January 3, 2016. 3.

that whatever arrangement for the other two islands or fisheries was reached as "alpha" finally had put to rest this vexing territorial dispute, allowing Japan to turn its attention to other troubling matters. To those on both sides who did not recognize the existence of this framework, there was little basis for optimism. There were enough persons, however, mainly on the Japanese side, who accepted its existence to keep hopes alive that Abe and Putin would finally reach a breakthrough. Without recognizing this unacknowledged and even openly rejected framework, we would fail to grasp the dynamics now at work.

The geopolitical factor that did the most to raise expectations was the rise of China. For Japan, Russia's insistence that the objective of its "turn to the East" was multipolarity offered assurance that Russia would not join with China to the exclusion of others. It seemed reasonable to posit Japan as the second pole in East Asia, anticipating a degree of balance in Russia's policies toward Beijing and Tokyo. For Russians, Japan's poor relations with China and rising concern over a "China threat," served as the primary basis for any optimism that a breakthrough would follow. Even as Russia drew closer to China, there were many in Japan who argued that Russia would not be satisfied without another great power in East Asia to serve as a partner. In turn, as Japan drew closer to the United States, some in Russia argued it could not be content depending so heavily on one ally. The geopolitical argument endured, even if it did not suggest a real balance of power. It has become more problematic, but fear of a Sino-Russian alliance stirs Abe more than many outsiders, who hesitate to see more than an "axis of convenience," may realize.

Bilateral economics looked promising in 2013, when Japan was replacing nuclear power after the Fukushima disaster and Russia was intent on developing its Far East, beginning with new gas export agreements. High energy prices and close proximity revived hopes that the complementarity of the two economies—now enhanced by energy plans gathering force—would at last be a driving force for good relations. A showcase project, such as an energy pipeline from Sakhalin to Hokkaido or an electricity bridge, could give Putin a symbolic success, especially amid the economic distress of 2016. The Russian need for a positive economic message has been growing.

While national identity is usually cited as a barrier to a breakthrough between Tokyo and Moscow, as Putin and Abe proceeded in reconstructing the identities in their respective states, some argued that not only were some of their efforts symbiotic, but also that a breakthrough could serve their mutual objectives. After more than three decades of insisting that the Northern Territories symbolize "abnormal" Japan, because Tokyo failed to recover sovereignty, Japan's leaders could attach great weight to the identity impact of an agreement. Similarly, an agreement would help Putin solve a longstanding problem in Russia of remaining distant from Asia, and affirm his insistence that Russia is no longer just looking to the West. If closer Japan-U.S. and Sino-Russia ties left in doubt Putin's c laim to multilateralism and Abe's quest for Asianism, then a boost to their bilateral ties

could add some sense of balance to their evolving foreign relations.

In the June 2014 issue of the journal SEKAI, former ambassador Togo gave two reasons for optimism: (1) geopolitics—with the earth-shaking transformation of the world order centered on China, which is insisting on a civilizational clash with the West backed by its rapidly expanding military and its new, aggressive maritime strategy, and the mortal danger for Japan if Russia is driven into the arms of China, as a result of what Togo called the short-sighted geopolitical strategy of the West; and (2) national identity—the similar situations in Russia and Japan, both of which have embraced the West, at times, but now stand at a crossroads under strong leaders intent on reasserting distinct national identities. Togo urges Japan to persuade Russia of its intentions, while doing the minimum necessary as part of the G7; stick to the Abe-Putin agreement aiming for a breakthrough in relations; try to win the understanding of the world for its policy; and expand dialogue with Russia on a new architecture for the world to encompass matters of both security and civilization.[3]

Articles in *Yomiuri Shimbun* cited both territorial and geopolitical reasons for Abe to persist in pursuing Putin.[4] Even as relations appeared troubled—Russian statements and official visits to the disputed islands, U.S. pressure on Abe to keep unity with the G7, and geopolitical and geo-economic conditions by late 2015 being less favorable to a deal—Abe did not reconsider. As an article in *Bungei Shinju* explained, despite repeated frustrations, he keeps insisting that he will set a date for Putin to visit Japan and communicating optimism to the Japanese media and Russian officials that a breakthrough is within reach.[5]

As an example of optimism, *Yomiuri Shimbun*, carried an article by the former prime minister, Mori Yoshiro, stressing that Japan welcomes the development of the Russian Far East. Mori, who has served as Abe's emissary to Putin and who was the Japanese leader in 2001 who had met with Putin at Irkutsk, recalls going to Moscow in February 2013 to sound Putin out on what was meant by "hikiwake," and then in September 2014 at a difficult time in relations, again meeting with the Russian leader and answering the charge that Japan is leaning too far to America with the explanation that only the United States will defend Japan against a nuclear missile. Mori proceeded to convey Putin's welcome to Japan in the Far East and to indicate that even if only part of the islands are returned to Japan, 30–40 percent of the fishing grounds would be included. As for descendants of former residents, they want to travel to graves, but it would be hard to live on the islands, Mori asserted,[6] implying that the Japanese position on the islands is

[3] Togo, Kazuhiko. "Ukuraina no Gekishin to Nihon Gaikō no Kiro" [The Turbulence of Ukraine and the Crossroads of Japan's Foreign Policy]. *SEKAI*. June 2014. 45-52.
[4] For synopses of the articles see The ASAN Forum. *Country Report: Japan*. 2012–14.
[5] Ishikawa, Ichio and Akiko Iwata. "Abe, Putin 'Himitsu Kosho' o Akasu" [Revealing the Abe, Putin 'Secret Negotiations']. *Bungei Shunju*. No. 1, 2016. 170–180.
[6] *Yomiuri Shimbun*. January 26, 2016. 4.

flexible with an emphasis on fishing rights as “alpha.” This message on geo-economics and a territorial deal both prepares the Japanese public for concessions and signals flexibility to Russia. By early March, plans for Abe to meet Putin in Sochi in late April or early May were announced.

What Is Needed to Achieve a Breakthrough?

While Panov and Togo diverge in discussing the relevance of the 2001 framework, as the authors of the 2013 document aimed at showing the way forward, they alert us to the need for agreement on a framework, encompassing the objectives of both sides. Panov sees Japan’s aims as two-fold: resolving the territorial impasse and denying close military ties between Moscow and Beijing. The former he either denies or would reserve for late in negotiations. The latter he ignores, but some may see a chance for a tacit understanding. As for Russia’s aims, Panov emphasizes the need to change Russian public opinion, which not only requires removing sanctions on Russia but also forging a security and economic image of Japan as a desirable partner. The security challenge is formidable, if Panov is correct in asserting that Japan must discard its policy toward China and its support of the U.S. strategy in the region, including missile defense. Interdependence to Panov also involves a new level of economic relations, including investment and transfer of contemporary technology. Beyond these demands, Panov insists that Japan be first to compromise, since Putin would lose face if he repeated his 2001 offer, only to face another call for “four islands in a batch.”

The obvious stumbling block to an agreement, over the past sixty years, has been different claims to territory. Japan has insisted on “four islands in a batch” and recognition of its sovereignty, however pragmatically a compromise is concluded. Russia has veered from no islands to two islands to be transferred to Japan under the right circumstances. If an agreement is to be reached, the outcome is likely to be “two plus alpha.” Many ideas about “alpha” have been proposed, and one with appeal to Japan may be fishing rights, made more urgent in 2016 by the loss of fishing grounds to Hokkaido residents after Russia imposed “environmental” restrictions. If Japan were to receive 40 percent of the rights to fish, owing to the return of 7 percent of the land area (two islands), this might seal a deal.

Another reason to think a deal is possible is the personnel on the Japanese side who are pursuing it, along with Abe’s strong commitment. Not only is Chikahito Harada of the Ministry of Foreign Affairs pursuing Russia’s Deputy Minister of Foreign Affairs, Igor Morgulov, with new intensity, but National Security Advisor Shotaro Yachi, after stunning successes in reviving summitry with Chinese President Xi Jinping and negotiating the “comfort women” agreement between Abe and South Korean president Park Geun-hye, can be expected to take charge. The fact that Russia has been unwilling to negotiate seriously, so far, may relate to concern about leaks in the Japanese press. Leaks are something Moscow did not have to consider when it made a territorial agreement with China in 2004, but that only

suggests the likelihood of a grand bargain to be reached in one meeting, followed by talks over some of the details. In light of no clear response, to date, to Putin's 2000–01 hints about reviving the 1956 plan, it seems that the ball is in the Japanese court for Abe to specify his "two plus alpha."

The Case against a Breakthrough in the Foreseeable Future

Geopolitics, geo-economics, national identity incitement, and public opinion all have turned more negative with respect to a breakthrough, since early in the 2010s. Japan and Russia have drawn much closer to countries more openly opposed to the other and less inclined to look favorably on a Japan-Russia rapprochement that would challenge their own foreign policy priorities. Not only have recent Sino-American relations become a more serious barrier, but shifting Sino-Japanese and Russo-American relations also pose serious geopolitical challenges. The geopolitical situation in early 2016—the standoff in Ukraine, the divide over Syria, the growing tension in the South China Sea—makes it difficult for Abe and Putin to defy Obama and Xi, respectively, and buck the increasingly polarizing tide.

Against the background of the worst Washington-Moscow relations since the end of the Cold War and the worst Tokyo-Beijing relations since normalization in 1972, the "Vladimir-Shinzo" bond, much ballyhooed in Japan, appeared increasingly out of step with the solidarity demanded of the G7 following Russia's aggression in Ukraine. It cast doubt also on the newly touted Sino-Russian strategic coordination. Thus, the timing and purpose of this recent and ongoing quest for a breakthrough belie today's geopolitics.

Indeed, only an exaggerated notion of Japan's geopolitical weight (not evident in Russia) can account for the expectations expressed in Japan about the impact of a deal: it would turn Russia away from siding with China; it would lead Russia to accept Japan's more active military posture, including expanded missile defense with the United States and South Korea; and it would be the driving force for Russia to stop pressuring Japan and to cooperate, instead. As hopes for a favorable territorial deal fade, the geopolitical case is being oversold.

Geo-economics are not propitious for Putin to secure the substantial Japanese investment in the Russian Far East he has sought or for Abe to make long-term deals. Prices for oil and other commodities, including natural gas, have fallen precipitously. The value of the ruble has been cut in half and appears to be falling further. Japan can find plentiful supplies of energy elsewhere, rather than commit to costly infrastructure plans proposed by Russia. If the Russian Far East is the key to jumpstarting talks, as *Yomiuri Shimbun* asserted at the end of 2015, then Japanese companies are showing no inclination to assist Abe's cause.[7] Apart from government ties, there is no clamoring for any deal.

[7] *Yomiuri Shimbun*. December 23, 2015. 4.

National identities have been aroused by Putin and Abe in ways that do not bode well for concessions on a territorial dispute. Previously, Japanese were prone to cite the intensity of emotions about the Northern Territories to Russians to explain how hard it would be to abandon their demand for "four islands in a batch." Aware that their Senkaku and Takeshima identity claims are being challenged, the Japanese people may not welcome the concessions Abe would make. Even more so in the aftermath of the Crimean and Ukraine crises, Russians are hypersensitive to territorial sovereignty. Their recent mood is less favorable to the talks, than in 2012. If the Japanese public cares less about the islands and the Russian public is aroused, the outcome is likely to favor Russia. Thus, Abe would have to make a different case for national identity, presumably combining the value of putting to rest an issue that has long troubled Japan and the merits of Japan taking the lead in countering China's challenge to its identity. Abe may believe that his strong identity credentials will suffice and that Putin can use his credentials for this end.

Public opinion in Japan and Russia stands in the way of signing a peace treaty and fully normalizing relations more than seventy years after the end of WWII. Both have aroused the public against the other side, and then used the public's resistance to a compromise arrangement for diplomatic purposes. In 2001–02, it was the Japanese side that insisted negotiations on the basis of the 2001 Irkutsk agreement were not worth pursuing, owing to Japanese public opinion. Today, it is the Russian side that says no public diplomacy over the territorial question is possible, due to its public's hardened attitudes.[8] Elements of national identity on each side have failed to align with each other to make negotiations promising. For example, in a multi-nation, public opinion poll released on October 20, 2015, 20 percent of Japanese respondents considered Russia's behavior to be responsible on questions of international relations, and 60 percent did not, with 20 percent undecided; only 10 percent of Japanese respondents wanted Russia to take an international leadership role. Given the wide gap in attitudes on the two sides regarding the international roles of China and the United States, there is little prospect of finding common ground on global affairs.[9]

Implications for U.S.-Japan Relations

Relations between Washington and Moscow have deteriorated sharply on all fronts: in Eastern Europe where there is on-again, off-again fighting in Ukraine and fear of Russian aggression in other parts of the former Soviet Union; in the Middle East where there is a confrontation in Syria going beyond a proxy war as well as pairing off with rival regional

[8] *Sankei Shimbun*. October 15, 2015. 1.

[9] Kudō, Yasushi. "Nichibeichukan 4kakoku Kyodo Yoron Chosa" [Japan, U.S., China, South Korea 4 Countries' Joint Public Opinion Survey]. Genron NPO. October 20, 2015. Accessed March 1, 2016. www.genron-npo.net/world/archives/6002.html.

powers; and in other theaters where Cold War-like testing of boundaries has resumed. For two years, the U.S. message to Japan has been to maintain a united front against Moscow and to join in sending it a clear message that its behavior is unacceptable and will be met with serious consequences. The United States has found Japan's response inadequate, leading to tense exchanges in an otherwise close alliance. While imposing sanctions as part of the G7, Japan has made its reluctance clear, while sending the message that sanctions were imposed under U.S. pressure and are rather minimal. Hovering over the alliance is the prospect of Japan unilaterally gutting its sanctions as Abe cuts a deal with Putin, which would be seen as undermining the G7 consensus.

Mostly under the radar to date, a U.S-Japan split over Russia could complicate the alliance in at least three ways. First, it would bring to the surface charges that past U.S. pressure has had the hegemonic objective of denying Japan an independent voice in the international arena. Those charges include supposedly blocking a peace treaty in the mid-1950s by pressing the Japanese to demand four islands, not two, from Moscow, and opposing a territorial deal since the end of the Cold War. Never mind that the evidence for U.S. responsibility in 1956 is exaggerated, if not in great doubt; that in the 1990s and beyond, Washington was eager for Tokyo and Moscow to reach an agreement on whatever terms they chose for the territorial demarcation; and that U.S. concern, today, centers on the impact on sanctions, not on keeping Japan dependent. Grievances about an unequal relationship are too raw in Japan—as Abe showcases national identity themes and the revival of "normal Japan"—to be suppressed, if a serious dispute over foreign policy rises to the forefront.

Second, a split over Russia would test how much agreement there is over the ideal of the international community and global responsibility. There remains concern outside Japan that a combination of pacifism from the left and narrow-minded Asianism from the right has left Japanese with a limited degree of internationalism—that is, a sense of responsibility for resolving problems around the world. In arguing that the Asia-Pacific arena should be treated separately from the global arena, Japan could be exacerbating this concern.

Third, at the core of U.S.-Japan divergence are different geopolitical analyses of the Sino-Russian relationship and of China's foreign policy. The prevailing Japanese outlook appears to be that the Sino-Russian relationship is not very strong and can be limited by moves such as Japan's overtures to Russia. The predominant U.S. assessment is that China and Russia have a solid relationship, which Japan has little leverage to influence. Moreover, Japan's thinking about China is more alarmist, steeped in concern about demonization of Japan's national identity, while U.S. analysis foresees a mix of competition and cooperation still present, expecting difficulties with China in 2016 centered on the South China Sea, but no sharp downturn in relations as some areas of cooperation go forward. In this divergence, Tokyo is concerned that Washington is too soft on China and too hard on Russia, while

U.S. concerns are the reverse. Thus, there is a quadrangular character to the U.S.-Japan split.

Despite the negative impact of a Japan-Russia breakthrough on U.S.-Japan trust, Japan may be counting on the fact that the impact will be limited due to the inherent strength in the U.S.-Japan relationship and the shared need, among all three countries, to face China. Abe may also be looking beyond Obama in 2017 to reset relations. In turn, Putin may anticipate little cost in Sino-Russian relations, although he may need to shore up ties with Xi Jinping in some tangible manner. Abe's defiance of Obama will be the main story, not Putin's signal that Russia would likely stay aloof from the Senkaku/Diaoyu issue and really do little else to cause concern in Beijing.

Conclusion

The persistent search for a breakthrough in Japan-Russia relations is an enigma, due to media taboos on both sides as well as the sense that neither Putin, whose 2012 appeal became the starting point, nor Abe, whose initiative has driven diplomacy so far, has conveyed his views beyond vague generalities. It is unknown whether the territorial issue or geopolitics is Abe's priority. Putin's intentions are clouded in mystery. The result is no preparation on either side for a deal and almost no strategic thinking communicated in the media. Into this void, some Japanese media, echoing Abe's thinking, convey a vapid optimism, and Russian media, with no clarity from Putin, convey unremitting pessimism.

A breakthrough depends on a series of developments that seemed remote at the start of 2016. But the will of two determined leaders concerned about marginalization in Asia is the unknown variable that could surprise doubters in their countries and across the world. For an Abe-Putin breakthrough to occur, three things are needed above all: (1) a trade-off of geo-economic benefits for Russia for geopolitical benefits for Japan; (2) dual national identity claims—for Japan a resolution to the territorial dispute with "two plus alpha," offering a symbolic value to alpha that counters charges against acquiescing to a deal long rejected, and for Russia evidence that the "turn to the East" boosts multipolarity and a new identity separate from the West; and (3) determination to defy their closest partners, as Moscow expresses dissatisfaction with Beijing's economic stinginess and Tokyo dares to defy U.S. appeals for G7 solidarity, clarifying that it has its own Asian foreign policy.

The Japan-U.S. split is not about a deal on the territorial dispute. It is about great power relations and what will be conducive to peace and stability in the coming decade. For Abe's security coterie, a new Japan-Russia relationship would strengthen the balance of power in Asia. For Obama and many in the U.S. security apparatus, it would have no such impact and, more likely, would split the international community and embolden Putin to continue to use the "China card." The Abe camp anticipates a new Asian order, denying China domination. The U.S. fear is, not only would the Asian order not change in the manner Japan expects, but also that the global order would be damaged. At the root of this

divide in strategic thinking are different assessments of Putin's intentions, of Sino-Russian relations, and of Japan's potential to orchestrate a shift in great power dynamics. Should Abe and Putin draw closer, these U.S. concerns are likely to be aired more fully.

PART I

THE FRAMEWORK FOR JAPAN-RUSSIA NEGOTIATIONS, RELATIONS IN 2012–15, AND PROSPECTS

Chapter 1

Carte Blanche: Absence of a Peace Treaty—Abnormal Situation

Alexander Panov and Kazuhiko Togo

Nezavisimaya Gazeta, July 18, 2013

The meeting of the president of the Russian Federation, Vladimir Putin, and the prime minister of Japan, Shinzo Abe, in Moscow was a success on many levels. The leaders of the two countries agreed that Russo-Japanese relations are of a friendly character and have good preconditions for forging a strategic partnership. Moreover, it was recognized that the absence of a peace treaty between Russia and Japan, sixty-seven years after the end of WWII, is an abnormal situation. In this regard, they expressed determination to overcome, in the context of negotiations, divisions in their positions and to conclude a peace treaty, which they would finally resolve in a mutually acceptable manner. They reached an agreement that such negotiations will be facilitated through the efforts of the two sides to actively develop bilateral relations. These agreements have to be a cause for satisfaction. After an interruption of more than ten years, negotiations on a peace treaty will receive a concrete impulse to proceed in search of a mutually acceptable compromise on the problem of territorial demarcation.

We would like to share some thoughts regarding the conditions that are necessary for successfully conducting the forthcoming negotiations.

First, we should start from the expectation that negotiations will be long and tense. It is impossible to expect that both leaders will make the same decision about how to resolve the territorial demarcation problem. It follows, therefore, that expectations for a quick decision should be restrained, and there should be no attempts to artificially force the negotiating process.

Second, it follows that the negotiations, themselves, should be conducted exclusively in confidence, not allowing leakage of the discussed variants of the decision on the territorial problem. This is necessary in order to avoid distortions and interpretations that could only arouse public opinion in the two countries and play a destructive role.

Third, besides official channels of negotiations through the ministries of foreign affairs, it is advisable to establish unofficial channels. We have in mind that the leaders of the two countries designate trusted individuals, who do not have official status, but who can conduct probes of specified variants for resolving the problem, without any obligation and without attracting outside attention. A successful experience of using a similar, unofficial channel took place in negotiations between the Soviet Union and West Germany in concluding the historic Moscow agreement of 1970.

Fourth, all-around improvement in bilateral relations will have more significance if the publics of the two countries are persuaded that Russia and Japan do not have serious contradictions and conflicts in their national interests, at present, and will not in the foreseeable future. Removal of the final barrier in the form of the territorial question would have historic importance in forging a new era of relations between "eternal neighbors."

Fifth, it follows that we should refrain from advancing the pet arguments of individual political figures and political scientists about which country is more interested in realizing the territorial demarcation and, therefore, should make "unavoidable" concessions.

With regard to possible variants in their positions on how to conclude a peace treaty, at present, although the sides have not declared their starting positions, it is apparent that the conceptual approaches of Moscow and Tokyo fundamentally diverge.

The Russian side, in 2001, at the Irkutsk talks proposed to resolve the problem of the peace treaty on the basis of the ninth statute of the Joint Declaration of 1956. The Japanese side did not accept this proposal. Although Japan advanced the position that it would not press for the simultaneous return of four islands, it would not change its position that the islands belong to Japan and that it could reach a compromise only on the timing and conditions of their return. Just after this discussion, the talks were halted. Thus, the question remains, is the Russian side ready to repeat its proposal of 2001 and insist that, after the conclusion of a peace treaty, as envisioned in the ninth statute, two islands would be transferred to Japan, and that return would signify the final resolution of the territorial problem?

Juxtaposing the positions of the countries, one must conclude that it is not possible to reach a mutually acceptable agreement. Therefore, it is advisable, at the first stage of the talks, to reexamine all of the variants proposed by the two sides for resolving the problem, in order to clarify why they were not accepted by one or the other side. At the same time, as suggested above, it may be possible, through confidential channels, to conduct unofficial probes of the positions to determine a direction in which the talks could go forward. One solution could be that the two sides agree to begin the talks in accord with the ninth statute of the Joint Declaration of 1956, which foresees the transfer of Shikotan and Habomai Islands to Japan, after the signing of a peace treaty.

Besides achieving agreement on the principal problems, talks could proceed, in parallel,

on the establishment of a joint special economic zone on Kunashir and Iturup Islands, with legal status acceptable to both sides. We note that a similar Russian proposal was advanced during Prime Minister Keizo Obuchi's visit to Moscow in November 1998.

In the course of negotiations, of course, differences in positions will arise, demanding a search for mutually acceptable compromises. But without frank discussion, finding agreement is impossible. These proposals could arouse criticism and even unpleasantness. However, it is obvious that, at present, nobody possesses a "magic formula" for resolving the problem of a peace treaty. It is not an accident that Prime Minister Abe, after his talks in Moscow, said, "There does not exist a sorcerer's wand with one wave of which everything would be decided."

A full translation of this article appeared in *Asahi Shimbun* on July 18, 2013. The following day, *Tokyo Shimbun* carried a long summary of its contents. After the April 29 Moscow summit of Abe and Putin, this joint presentation served as a "kick-off" for the anticipated media discussion of how a diplomatic breakthrough might be reached and as a prod by veteran diplomats to jumpstart talks for that purpose.

Chapter 2

Japan-Russia Relations in the Mid-2010s: Collapsing Framework, and A Way Forward

A View from Japan

Kazuhiko Togo

The mid-2010s have been a tumultuous time for Japan-Russia relations, as Japanese Prime Minister Shinzo Abe and Russian President Vladimir Putin have raised expectations but not succeeded with any concrete steps toward a breakthrough. The past seventy years, since the fateful days at the end of World War II, have witnessed periodic attempts to set the past aside and find a shared path forward as neighbors with overlapping and complementary interests. Adapting to the postwar international situation after the conclusion of the San Francisco Peace Treaty of 1951, Japan and the Soviet Union concluded a 1956 Joint Declaration, after which the four islands remained the only serious political issue dividing them. At a time of shared interest in developing Siberia and the Russian Far East, the 1970s saw joint exploration projects of Siberian resources and even, for a short while, Japan becoming the number one trade partner of the Soviet Union, among industrialized nations. Despite the image that prevailed in the late 1980s of Moscow and Tokyo having the worst relations between great powers, diplomats, politicians, and academics kept seeking signs of a turnabout.

After the end of the Cold War in 1989, expectations rose on both sides that finally they would be able to overcome their differences and develop dynamically what they share in common: economic relations boosted by Russia's turn to a market economy, security relations driven by the urgency of stability in Northeast Asia, and even common interests and identities as countries searching for a new model of development and Asian regionalism. In addition, Japan became the third-leading donor country, with global economic assistance totaling $6 billion. A new economic package was proposed as the Hashimoto-Yeltsin Plan of 1997, and another one as Abe's plan to develop Siberia and the Russian Far East in 2007.

Even on security relations, regular exchanges developed between the two defense institutions. Periodically, there was talk that a breakthrough was within reach, and it resurfaced with the "Vladimir-Shinzo" personal connection, celebrated in 2013. Long hiatuses left the prospects for resumption of negotiations uncertain, but on both sides hope persisted.

Failure to reach a substantive agreement over so many decades cast a shadow that has hovered over the recent revival of diplomatic momentum. Much has been written about the on-again, off-again talks to resolve the dispute over four islands. From the late 1980s, every time it looked as if the perspective was bright, something happened to derail the talks. Again in 2013–15, leaders appeared to be ready for serious bargaining, even if others warned of what might still go wrong. At the start of 2016, the two sides seem to stand at the worst point in negotiations since Gorbachev, thirty years ago, began implementing perestroika and "new thinking" diplomacy. The negotiations on the four islands issue, judging from all available public reporting, stand roughly as they did at the nadir of the Cold War in the second half of the 1970s. While Abe and Putin are again talking about meeting to jumpstart negotiations, the mood has turned more somber.

This chapter puts the hopes and disappointments of the mid-2010s in historical context. It explores the framework that has guided negotiations, the reasons why it has not succeeded, ideas for reactivating the talks, and even what a possible, successful agreement would look like. This background can help to put revived talks in a more sustainable framework, even if the current context is rather sobering.

Framework Guiding the Negotiations

The two sides seem to have lost completely the common framework to advance the territorial negotiations. In the period after Gorbachev came to power in 1985, and for about thirty years afterward, the two sides made serious, on the whole continuous, efforts to establish and strengthen this common framework with a view to finding a solution to the four islands issue. The solution was not found, but the framework was strengthened. First, there were the years of establishing the initial framework, including the 1991 Kaifu-Gorbachev communiqué and the 1993 Hosokawa-Yeltsin Declaration (Tokyo Declaration). The two sides acknowledged, in writing, that the four islands issue exists and needs to be resolved. Second, there was the Hashimoto-Yeltsin Krasnoyarsk agreement of 1997 in which the two sides agreed to do their best to conclude a peace treaty by the end of 2000, with an understanding that the four islands issue were at the center of negotiations. Japan's concessionary proposal at Kawana in April 1998 and the Russian concessionary proposal in Moscow in November 1998 should be understood within this framework. Both sides appeared in an upbeat mood and ready to compromise. There were setbacks in the late 1980s and 1990s as the process of forging a framework stalled—opportunities were missed, but the framework was slowly growing clearer.

Third, there was the Irkutsk agreement of March 2001 in which the two sides recognized the 1956 Joint Declaration and 1993 Tokyo Declaration, simultaneously, and parallel negotiations on the islands of Kunashiri-Etorofu and Habomai-Shikotan were about to start. The two sides were close to agreeing on an overall framework for intensified talks. Indeed, when efforts were later made, especially in 2012–15, to resume the process of normalization, the understandings reached at Irkutsk were cited, reflecting progress over many years.

Fourth, there was a fuzzy period from December 2006 until May 2009 when the two sides might have entertained an idea to cut the territorial space in question into specific portions (for example, half and half, or three islands to Japan and Etorofu to Russia). That proposal reflected a possible shift to a new level of specificity, but it did not become fixed in any new framework. Fifth, there was the dramatic statement by Prime Minister Putin on March 1, 2012, to the correspondents of the G8 countries that, "After my reelection as president of Russia, Russia and Japan need to do two things. To develop substantially economic relations and resolve the territorial issue with the principle of a "draw" (hikiwake)." He even defined what he meant by a draw—that "neither side loses." This statement gave new impetus to diplomacy, reviving interest in the existing framework.

Possible Reasons for the Framework Collapsing

After thirty years of mutual efforts trying to bring the position of the two sides closer, why did Russia change its position and revert to Gromyko's position of the late 1970s? This shift occurred in 2015, becoming unmistakable in statements made in September. Insistence that there is no territorial issue and that the outcome of World War II settled the territorial question is a position Japan heard forcefully from the latter part of the 1970s, under Gromyko, until Gorbachev assumed power in 1985. Reversion to this way of thinking puts in serious doubt the entire framework that was built over three decades.

Several hypotheses can be suggested. First, Russia sees willingness on the part of Abe to continue negotiations on the four islands issue and, hence, readiness to take a less antagonist policy toward Russia than other G7 countries. Russia also sees a great opportunity to squeeze Japan and determine to what extent Japan is willing to concede. Explicitly tough statements are there to gauge Abe's seriousness on Japan-Russia relations and on the extent of his readiness for a concessionary agreement. But this hypothesis may be problematic. Why should Abe appear so weak as to be likely to concede to Russia at all costs? Is China so terrifying or the Russia-China axis so threatening that Abe is tempted to make such concessions? Is it not the case that Abe's determination to resolve the territorial issue is based on his desire to gain a sense of justice to replace the lingering feeling of humiliation suffered at the end of World War II, but to do it with sufficient realism and sense of compromise, characteristic of his father, Shintaro Abe, in his policy toward Gorbachev? If

that is the case, the China factor is a valid reason to trigger Abe's resolve, but it is clearly not enough to force him to make unwarranted concessions.

Second, President Obama's administration is openly irritated by Abe's overt willingness to continue dialogue with Russia. This is a golden opportunity to drive a wedge between Japan and the United States. Putin can mix a friendly approach, such as visiting Japan, and a tough approach, such as his cabinet members visiting one or more of the four islands, or his foreign ministry officials making tough public statements, while inducing Abe to take actions, which may irritate the American side. But again, this wedge hypothesis may also be problematic. To be sure, Russian-American relations soured greatly after Obama's complete denial of Putin's Crimea-Ukraine policy, but Moscow's hostility has been primarily directed at the United States. Is there some realistic reason for Putin to expect that an effective wedge between the United States and Japan would succeed in making Russia's position stronger vis-à-vis the United States? It is unlikely that Japan's relatively small international political power could let Russia play an effective wedge role between the other two powers.

Third, there may be more fundamental reasons than those two tactical ones pertaining to bilateral negotiations or to relations with the United States. The issue of Crimea and Ukraine has profound implications for Russian history and geopolitics. Kiev is the origin of Russia for all students engaged in the study of Russian history. Crimea, with its history dating back to the Crimean Cossacks and the battle of Sevastopol in the Crimean War of 1853–56, left an enduring, tragic legend of modern warfare seen through the lens of Russian national dignity. More importantly, through the whole course of Russian modern history, through World War I and World War II in particular, Ukraine occupied an important geopolitical position as a crucial buffer between Russia and Europe. Russia simply could not afford a Ukraine adversarial to Russia and bent exclusively toward Europe. The economic and political confusion, which did not cease even after twenty years of independence, offered an opportunity for Russia to find a solution in its own favor, after the Ukraine political turmoil from November 2013 and, finally, after the Maidan explosion of February 18–21, 2014. Regaining Crimea and ensuring a buffer state in Ukraine, which at least includes several eastern provinces and Kiev, became a matter of survival, honor, and dignity for Russia.

Sanctions so incensed Russia because of a strong sense of the justice of its cause. Japan's participation in four economic sanctions, from March to September 2014, even if they were carried out with minimal content, shows a profound lack of understanding of Russian core values, both historical and political. Under the circumstances, how could Russia resolve the territorial issue by making a concessionary decision to bring the situation to a "draw"? Thus, since September 2014, any prospect of envisioning a peace treaty with a resolution of the four islands issue based on a "draw" ended. Deputy Foreign Minister Igor Margulov's statement on September 2, 2015, to the effect that the territorial issue was resolved seventy

years ago and Russia has no intention to negotiate it with Japan, is the clearest and most correct description of the existing state of negotiations between the two countries.

Reactivating the Negotiations: New Developments?

At the time of this writing in early 2016, there is no likelihood for the two countries to resolve the territorial dispute. The position taken by Abe to pursue in a quiet manner Japan's dual political objectives—on the one hand, to uphold common values as a G7 country and, on the other hand, to ensure that relations with Russia improve, even to the extent of resolving the territorial issue—did not work. This position, in all likelihood, was understood in Russia as a message that Japan and Russia, fundamentally, do not share common values and interests. In fact, looking back at Japan-Russia relations of the last seventy years, the thirty-year period from 1985 to 2015 can be characterized, in the most essential way, as a time when Japan and Russia did share the same values and interests. If that situation of shared interests does not come back, in all likelihood there is no way that Japan and Russia will stand on the same track to resolve the territorial issue. Will there be a possibility that the common track will be re-established? This is an intellectually challenging question, to which I can present, at least, the following three scenarios.

First, in a situation in which both Russia and the United States do not change, Japan changes its position. Japan might put aside, for the time being, any aspirations for resolving the territorial dispute, and begin arguing solely from the perspective of geopolitics and Japan's national interests. This argument might proceed along the following line: For Japan, and possibly East Asian countries, if not the world, the single greatest threat is China and not Russia. Japan's primary attention, therefore, in its foreign-security-defense policy is China, and Japan needs to do everything necessary to face China with a policy of deterrence and dialogue. But from this perspective, the wisest policy for the G7 is to keep Russia within its friendly circle, and to treat Russia with respect as a great power in the international arena. For this, it is rational and justifiable to recognize the historical bond between Russia and Crimea and the geopolitical necessity of seeing Ukraine as a buffer state between Russia and Europe. These should be common goals of the G7 for their strategic interests, and Japan should take a leadership position toward that direction. As the first step, Japan might withdraw from the present sanctions against Russia.

If Abe is able to reformulate his policy in this manner, sometime in the not-too-distant future the conditions would emerge to redefine a common framework for negotiations.

The second scenario is that Russia and Japan do not change, but America changes. If a president Hillary Clinton (at this writing, the likely 2016 Democratic nominee), a Republican president, or even possibly Obama reassesses the comparative geopolitical threat from the Asian dragon and the Eurasian bear, and concludes that the United States needs to take a more realist, geopolitical approach, the European architecture—as it emerged in 1991

as the result of the unilateral collapse of the Soviet Union—should not be interpreted as a sacred, binding structure that does not allow reshuffling based on history and geopolitics. In fact, American political scientist John Mearsheimer came up with an analysis close to this. The Minsk agreement is increasingly becoming a realistic starting point for all parties, allowing them to come to some terms, despite differences. The exacerbated situation in the Middle East under the rage of ISIS's terror has opened further space for Putin. All these conditions might become reasons to adopt a more flexible policy toward Putin. In that situation, pressure from the United States, which so far has constrained progress in Japan-Russia negotiations, may well be lifted substantially.

The third scenario is that America and Japan do not change, but Russia changes. Russia's economic, political, domestic, and international positions are not easy. Russia had turned toward China in 2014, but its oil and natural gas trade with China is not bringing the benefits that were expected. China, itself, after its stock market collapse, may not be as powerful as once expected. Reports are increasing in early 2016 that Russian companies have begun to suffer from a liquidity shortage and wage suspensions, resulting from the collapse of oil prices and from economic sanctions.[1] In a situation in which the West shifted its attention almost exclusively to Ukraine and not to Crimea, Putin should find a way to take heat off the eastern provinces, to introduce reasonable supplies of oil to Ukraine, and to cooperate with Europe and America to stabilize Ukraine and make it a friendly country toward Russia, Europe, and America. Again, changing Russia's position in the West may well redefine a common framework for negotiations between Japan and Russia. This scenario, like either of the others, would create much more conducive conditions for a breakthrough in Russia-Japan relations. At this time, however, none appears likely, nor does progress in 2016 between Japan and Russia.

Reviving the Framework and Finding a Scenario for a Breakthrough

In case the political environment that surrounds Japan and Russia improves and there re-emerges the possibility for conducting serious negotiations, what kind of solution could there be to achieve a substantial breakthrough? As the result of thirty years of negotiations, I do think that a rough picture of that solution has already emerged. First, the criterion that Putin put forward that the solution has to be a "draw," where neither side loses, must be applied, as has been the case in all serious and successful negotiations that we see in the history of diplomacy.

Second, then what is this "draw"? The answer seems to be reasonably clear: it should be the so-called "two plus alpha" solution. Why? Because what Japan is requesting is

[1] "Wages Are Not Paid as Agreed in Contracts in Russia." *Asahi Shimbun*. January 20, 2016.

four islands, and what Russia has agreed to transfer is two islands. Both sides might have reservations on this score. The Russian side may well argue that its original position was zero, and two was the maximum possible concession, which it had already made in 1956, and there is not an inch of further concession. But the Japanese side may well argue that, based on the principle of territorial non-aggrandizement prescribed in the Cairo Declaration and the Potsdam Declaration, Japan has a full right to the entirety of the Kuril Islands, and a four islands solution is already a "draw," from which Japan cannot deviate, even an inch. While acknowledging the difficulty of this issue, I simply draw on the format that was nearly agreed to in Irkutsk to conduct parallel negotiations on Kunashiri and Etorofu on the one side, and Habomai and Shikotan on the other. In accord with the generally accepted practice of diplomacy, some compromise solution may turn out from the Kunashiri and Etorofu channel, which would be labeled "alpha."

Third, then what "alpha" can there be? When Abe and Putin seemed to have made a promising start with Abe's April 2013 visit to Moscow, then-Russian Ambassador Alexander Panov and I exchanged ideas from May to July to give an example of this "alpha." The result of this joint effort was published in *Nezavisimaya Gazeta* on July 19, 2013, and reported on the same day in *Asahi Shimbun*, with the full, translated text in *Digital Asahi*. The gist of this joint proposal was to achieve the transfer of Habomai and Shikotan to Japan, as prescribed in the 1956 Joint Declaration, and to establish a special joint economic zone on Kunashiri and Etorofu, with a special joint-legal status acceptable to both.

Panov and I did not come to this joint proposal out of the blue. As the last proposal made by the Russian side under President Yeltsin, the suggestion of establishing a joint economic zone, where a joint legal structure may be introduced, had already been made in November 1998 in Moscow to Prime Minister Keizo Obuchi. After Putin assumed his post, it is well known that he became the first president who officially acknowledged the 1956 Joint Declaration, after Gromyko denied its implementation in 1960. The Panov-Togo joint proposal was based on these two developments, which took place in the course of the negotiations. That this joint proposal is just an idea of what could be, alerts us to many other variations of "alpha," which, in fact, have never been officially discussed between the two administrations.[2]

Lessons from When the Relationship Has Been Closest and Furthest

Before the end of the Cold War, there were periods when Japan and Russia were close. First, there was 1955–56, when we negotiated and agreed on the Joint Declaration under

[2] Togo, Kazuhiko. *Kiki no Gaikō* [Diplomacy in Crisis]. (Tokyo: Kadokawa Shinsho, 2015). 195–200.

the general international situation of "thaw" and de-Stalinization. Second, we were close from 1972–73, when Prime Minister Tanaka made his overture to General Secretary Brezhnev, under the general international situation of détente. After Gorbachev assumed the post of general secretary of the Communist Party of the Soviet Union (CPSU) in 1985, there were five periods of opportunity, as enumerated earlier in this chapter: 1991–93, when Gorbachev and Yeltsin visited Tokyo; 1997–98, the height of the Hashimoto-Yeltsin years; Putin's encounter with then-Japanese Prime Minister Yoshiro Mori at Irkutsk in 2001; fuzzy exchanges in 2006–09; and, finally, two years from March 2012 until February 2014. There was a sense of common values and interests, strategically, economically, and even historically in reestablishing each country with a new profile in Asia.

As a result, Russia as well as Japan expected to gain more of a bridging role between the West and Asia. A case in point was in March 1992, in the wake of the fall of the Soviet Union. Yeltsin's administration was fully engaged and expected to strengthen its relations with Western countries, inclusive of Japan. Foreign Minister Andrei Kozyrev visited Tokyo that month and made what has been called a "non-existing confidential proposal," whose content was kept totally confidential for a long time, but recently, the Russian side has begun to disclose it, and both sides have been citing its contents. The memory of the Japanese side goes as follows: "…to start by negotiating the question of transferring Habomai and Shikotan, and once an agreement is made, the text of the agreement to transfer these islands should be formulated; then to negotiate the issue of Kunashiri and Etorofu in line with that agreement on Habomai and Shikotan; and once an agreement was reached on Kunashiri and Etorofu, to conclude a peace treaty to resolve the four islands issue."[3] Given the fact that this was the period when Japan and Russia most clearly shared common values, and Japan's economic might was at its highest, whereas Russia was suffering from the impact of the fall of the Soviet Union, one might surmise that it was the closest point to a breakthrough in the negotiations. But then Japan's leadership considered the Russian proposal insufficient as a basis of the negotiations, because the "shadow of Kunashiri and Etorofu" was too weak. Only after Japan further reflected on this inability to grasp that occasion, it was in March 2001 at Irkutsk that the two sides were able to narrow their differences and explore a shared framework toward resolution of the issue. In this period, too, Russia had good relations with the United States, was intensely searching for an investment boost, and saw itself at the starting point in finding a strategy for reasserting its power.

When it comes to the issue of periods when Moscow and Tokyo were furthest apart, the Cold War, from 1945 until 1989, naturally figures high on the list, apart from 1955–56

[3] Togo Kazuhiko. Rekishi Ninshiki o Toinaosu: Yasukuni, Ianfu, *Ryōdo Mondai* [Rethinking Historical Memory: Yasukuni, Comfort Women, Territorial Questions]. (Tokyo: Kadokawa One Theme 21, April 2013). 94–100.

when they were conducting negotiations for the conclusion of a peace treaty. After the Joint Declaration, apart from the brief period of détente when Tanaka visited Brezhnev in 1973, relations were troubled, deteriorating substantially during 1978–85 at the time of the so-called "second Cold War." The Soviet economic policy was essentially autarchic, although, around the time of détente, Moscow was keen on Japan investing in Siberia. Confident in its own power, Moscow did not view Tokyo as a serious great power partner. Conditions were not ripe for a breakthrough.

After the demise of the Soviet Union and the establishment of the Russian Federation, bilateral relations shrank substantially, starting after September 1992, when Yeltsin unilaterally cancelled his visit to Tokyo four days before his expected departure, going only in October 1993, when the Tokyo Declaration was issued. Second, relations plunged again from 2009 to 2012. At the end of 2009, Yukio Hatoyama, the newly-elected prime minister from the Democratic Party of Japan (DPJ), could not reverse the slide in the relationship that occurred under his predecessor, Taro Aso. Relations continued at their nadir until Putin delivered his dynamic message early in 2012. Third, the entire period since the Ukrainian issue exploded in February 2015 can be counted as another time when relations reached a nadir.

It is hard to find a clear pattern in these downturns. Japanese and U.S. relations with Moscow were not in synch in the first two periods. Russian economic troubles and priorities have varied across the periods, as have Russia's strategic objectives in Asia and its thinking about which state can best satisfy them. Over time, we see more of an inverse relationship between views of China and of Japan as well as heightened sensitivity to remarks by Japanese officials deemed to be inconsistent with the expectations for a constructive path for negotiations.

Conclusion

Given Russia's rejection of the framework that Japan assumed, tacitly if not openly, to be operating in 2013–15, a fundamental restructuring of the terms of any breakthrough and how they can be realized now looms as, probably, the only way forward. As discussed in the three scenarios I introduced, this may be extremely difficult. Yet, given Abe's strong determination and Putin's sense that meetings with Abe are of benefit, there is likely to be further talk, if not serious exploration, of how negotiations can be put on track, while Abe is still in office. On the Japanese side, this could stimulate discussion of what incentives might lead Putin to search for a new framework, if not to agree to work with the framework that some Japanese diplomats had surmised to be in place at a time of some optimism.

The starting point in this search for reinvigorating talks could be some energy and economic projects of particular interest to Russia and genuinely useful for Japan, too, without putting Japan outside the general framework of current G7 policy toward

Russia. Such discussions would test Putin's interest in developing a broader framework, and challenge Abe's ability to sustain cooperation with Obama and the G7 on Russia, while not abandoning his attempts to find common ground with Putin. Events may make this delicate balancing act untenable, but there is enough unpredictability, at this time, to keep Japan's options open and see if events actually turn in a more promising direction for another upbeat phase in Japan-Russia relations.

Chapter 3

A View from Russia on Japan-Russia Relations in the mid-2010s

Searching for a Framework to Move Forward

Alexander Panov

New realities put the relationship between Russia and Japan in a context that was not anticipated when the framework for transforming relations was being forged from the 1990s until recently. Neither Moscow nor Tokyo has its own strategic vision for achieving a qualitatively new level of interaction and cooperation in line with these new realities in both the Asia-Pacific and the world. Moreover, the lack of momentum in the development of their bilateral relationship has left them in need of reassessing the broader strategic environment, before a breakthrough is possible. The Asia-Pacific region is steadily becoming the leader of global political, economic, and military-strategic processes. Against this backdrop, the relations between Japan and Russia—two major states of the region—can be described as so-so, suffering, in general, from the absence of any sense of dynamism, and complicated by the overall crisis in relations that now exists between Russia and the West.

In this chapter, I discuss how the history of bilateral relations has impacted recent relations. Then, I analyze how current national interests affect the search for a breakthrough in relations. Next, I review how the framework that, in the past few years, served to raise hopes for relations has been undermined. Finally, I offer suggestions on how relations can again move forward. Yet I do so with a pessimistic outlook on the existing state of public opinion on each side and on the prospects for compromise. This outlook casts doubt on some rosier viewpoints found in Japanese publications.

Historical Background and Outstanding Issues in Japan-Russia Relations

Intermittent diplomatic progress culminated in 2001 at the Irkutsk summit, where the proposal of President Putin, for the first time in the history of relations after 1956, showed

Moscow's readiness to search for a real compromise on the territorial problem in the Kuril Archipelago. Tokyo rejected this proposal and even did not try to find out, using official or unofficial means, just how far Russia was prepared to go to reach a solution to the problem. Thus, there was really no framework established to build on what had been achieved in 2001. When, in 2013, Prime Minister Shinzo Abe made an abrupt shift in Japan's approach, trying to restore the dialogue, he had two main purposes in mind. First, this was an attempt to find a way to solve the territorial problem. Second, he wanted to prevent the emergence of a strong anti-Japan partnership between Russia and China. Whereas some Japanese see this as a revival of the Irkutsk momentum, building on the negotiating steps already taken, this is not how many in Russia have interpreted the recent efforts to restart talks. Instead, they see the need to build a new framework, clarifying the strategic significance of this relationship, on the way to boosting economic relations and rejecting any ultimatum related to territorial matters.

Reflecting on why the Japanese saw a collapsed framework, I need to emphasize that, when Putin and Abe made their joint appeal for resumption of talks in search of a breakthrough, they did not have a shared view that a framework was in place for diplomats to proceed. Russians, from the outset, have looked for a new framework. This is substantiated by the fact that media coverage on the two sides does not reflect enough overlap in public expectations for any degree of optimism.

In the history of their bilateral relations, especially those related to the territorial dispute, numerous attempts to resolve it have all ended in partial or complete failure. Often, the frustration of the Japanese side at the lack of progress in resolving the territorial problem on Japan's conditions has led to deterioration of bilateral ties. Such failures and reactions impeded further development of relations. That said, there exists in Japan an influential, but not very large, group of politicians, businessmen, academics, and journalists who understand that in consideration of the national interest it is necessary to discard the U.S.-led approach of confrontation, and instead establish constructive and diverse relations with Russia as one key to a new geopolitical outlook. They set their hopes on the settlement of the territorial problem with Putin. It is this geopolitical logic that offers a ray of hope.

Advocates of a "principled position" are in opposition to this group. They refuse to devise any new approach to the territorial problem in response to the opportunity of Putin's time in office. At best, they might countenance revisiting Article 9 of the 1956 Joint Declaration, replicating the response to the statement by Putin in March 2001 in Irkutsk, in which he proposed discussing this article, only to be met by Japan reiterating its "four islands in a batch" stance and its call for punishing the politicians and diplomats advocating negotiations on the basis of a "two plus two" format.

Hikiwake and the State of Negotiations

After Putin returned to the post of head of state, following the completion of the four-year term of President Dmitry Medvedev, he began to work out a long-term foreign policy plan for the entire period of his presidency, which, in accord with the constitutional change, had been extended to six years. One cannot exclude, although nothing is said openly about this, that Putin will run and be elected to a second, six-year term from 2018 to 2024.

In any foreign policy plan it is impossible to take into account all of the challenges that can arise in the international environment to which it will be necessary to respond. In 2013, the exacerbation of the situations in Syria, in the Near East as a whole, and in Ukraine could hardly have been predicted. Moreover, it is clear that Putin, from the very beginning of his new presidential term, designated the East as one of the main directions of Russia's foreign policy. For that, a two-sided approach was chosen to develop Siberia and the Russian Far East and to build on already successful, ongoing cooperation between Russia and China, while also forging more concrete ties with other countries of the Asia-Pacific region. Among these countries, Japan was a priority. According to expert opinion, Putin has great respect for the economic, scientific and technical, cultural, and sports achievements of the Japanese nation.

As is known, on meeting then-Japanese Prime Minister Yoshiro Mori in 2001 in Irkutsk, Putin underscored the presence of Article 9 of the Joint Declaration of 1956, which anticipated the transfer of Habomai and Shikotan Islands to Japan, following the signing of a peace treaty, and proposed that the two sides begin discussion of this article. However, this radical change in attitude toward that article did not evoke an adequate response from the Japanese leadership. After a not very clear response from Mori, which, to some extent, can be explained by the fact that two weeks after the Irkutsk summit he resigned from his post, there followed a harsh, negative response from the new prime minister, Junichiro Koizumi. Koizumi was not willing even to examine the new position of the Russian side, and repeated the demand for all "four islands in a batch."

For any political figure of high rank, such a response could be taken, at the very least, as impolite, and, in essence, disrespectful to both the proposal and, in particular, the president of Russia. Among the supporters in Russia of a hard line in regard to the territorial demands of Japan, a new, important argument took hold. In negotiations with the Japanese side, it was necessary to keep in mind that any concession would be taken, not as the well-considered foundation for a compromise, but as a "gift" that had already been received, and that further pressure should be applied in order to realize 100 percent of Japan's demands. It is not surprising that, after 2001, no significant negotiations took place on a peace treaty.

Preparing to return to the post of president, Putin made a new attempt to prod the Japanese into searching for a compromise on the territorial question. Thus, his widely known proposal, expressed at a meeting with foreign journalists on March 1, 2012,

communicated his intention to hold talks to resolve the problem in accord with a "hikiwake" formula, in other words, a compromise. In this, neither then nor subsequently did Putin return to his Irkutsk proposal. One can presume that another rejection of that proposal by the Japanese would have created a "loss of face" situation for Putin. Therefore, it is assumed that Putin is waiting for a "response proposal," based on a compromise, from the Japanese side.

In the Japanese political and expert community there have appeared more than a few interpretations of what Putin may have had in mind in regard to the suggestion of hikiwake. Obviously, it is not the Japanese position of *ippon*, (in judo terminology, a clean victory). In other words, from the very beginning of the negotiations to establish one goal "to return the four islands." Such a position is unacceptable to the Russian side. One could assume that the Russian side could be prepared to begin negotiations on the basis of the Irkutsk proposal; however, at the present stage, considering the Japanese sanctions against Russia, Moscow would consider such a move improbable. In any case, after Putin's proposal of "hikiwake," neither side has come forward with any concrete, compromise proposal; therefore, no real negotiations on a peace treaty have taken place.

Absence of a Shared Vision but No Clash in National Interests

At this writing, neither Moscow nor Tokyo has its own strategic vision of the prospects for achieving a qualitatively new level of interaction and cooperation in line with new realities in both the Asia-Pacific region and the world. Russo-Japanese relations—after the disintegration of the Soviet Union—are twenty-four years old; however, their development has been heavily impacted by the more than one-and-a-half-century history of bilateral relations, starting with their first agreement in 1855. A "new" Russia and an "old" Japan have, so far, failed to realize their significant potential and embark on a trustful partnership, albeit the objective of achieving a "constructive partnership" has been set out in official documents signed at the highest level. The reason is that, while understanding, in general, the importance of bilateral relations, neither has grasped the strategic significance of these relations for itself. Thus, the level of political and economic interaction is pretty low, reducing real awareness of the value of genuine interdependence.

Negative pages in the history of bilateral relations, especially those related to the territorial dispute, also play a role. There have been numerous attempts to resolve it, culminating often in the frustration of the Japanese side at the lack of progress on achieving a resolution on its terms, which then leads to deterioration of bilateral relations and impedes their further development. At the same time, but for this one issue, there are no other obstacles preventing Russia and Japan from establishing genuinely partnership relations. The objective reality is that it is highly unlikely that the national interests of Russia and Japan will come into conflict over any principal aspect of their relationship, now or in the

future—be it politics, economics, or security. The Ukraine-Crimea problem does not affect any serious interests of Japan. It is no accident that Japan criticized the inclusion of Crimea in Russia, but it focused mainly on the "use of power." For Tokyo, what is most important is to show China that it stands behind the principle of not allowing any state to alter the territorial status quo through the use of force. Russia does not pose a threat to Japan, and, of equal importance, there is no Japanese threat to Russia. Rather, there is mutual desire to ensure stability in the Asia-Pacific region and, above all, in Northeast Asia.

Officially, Russia did not make any comment on Japan's recent adoption of legislation on "collective self-defense," which was met in South Korea and especially in China with deep concern and criticism. Interestingly, in the Joint Declaration of 1956, both sides confirmed, in accordance with Article 51 of the United Nations charter, that every state has an inalienable right to individual and collective self-defense. At roughly the same time, on September 21, 2015, at a Moscow press conference after talks with Japanese Foreign Minister Fumio Kishida, Russian Foreign Minister Sergey Lavrov said that Russia "has taken note of concern being voiced by neighboring countries to the decision of Japan to ease restrictions on collective self-defense." According to Lavrov, Russia is paying primary attention to Washington's plans to boost its missile defense project by involving Japan and a number of other countries, South Korea among them, in the Asia-Pacific missile defense system. He also expressed Russia's readiness to resume the "two plus two" mechanism with Japan, with consultations on a wide range of security issues in the Asia-Pacific region, and especially in Northeast Asia. Amidst the sharpening atmosphere in bilateral relations, both sides also expressed their readiness to continue consultations on important international issues, including the Korean Peninsula, the Middle East, Afghanistan, international terrorism, and the proliferation of weapons of mass destruction.

It is beyond dispute that the economies of Russia and Japan are unusually complementary—Russia is abundant in mineral resources that Japan lacks; and Japan has practically unlimited access to the Russian market for Japanese products and capital. There is little prospect that the two will compete for markets. Indeed, it seems very unlikely that any sort of economic conflict will arise between these two countries. Yet the level of trade and economic cooperation between the two is far from impressive. The maximum trade level reached has been about $30 billion. Japan's share in Russia's overall trade turnover is only around 4 percent. Russia's share in Japan's turnover is even less—roughly 1.8 percent. Over many years, the structure of their bilateral trade has remained unchanged: Japan imports mostly energy resources, metals, seafood, and timber, while motor vehicles comprise most of Russia's imports. Even before sanctions, the value of cumulative Japanese investments in Russia remained rather low, compared to the overall level of investments in the Russian economy. Consequently, the two hardly depend on each other in the economic sphere.

The territorial problem is not a major factor preventing the development of large-scale economic cooperation. In the 1970s and '80s, multi-billion-dollar projects in Siberia and the Russian Far East were launched, while at that very time the Soviet leadership denied the existence of the "unresolved territorial problem" on the bilateral agenda. Before sanctions were begun, the Japanese business community was constrained, not by the territorial problem but rather by the absence of favorable conditions for business activity in Russia, due to excessive administrative regulations, the arbitrary interpretation of legislative and administrative acts, complicated immigration procedures, and costly and unreliable infrastructure. It is important to note that in the Russian Far East and Siberia, business structures that are firmly established in the main sectors of the economy and resistant to any change hamper the arrival of foreign, including Japanese, capital, because they fear competition and are unprepared to work in accordance with fair, non-corrupt rules. In turn, Russian entrepreneurs do not display any interest in starting businesses in Japan. Not surprisingly, there are no big projects with each other on the horizon. In sum, trade and investment cooperation have great potential, if both sides make an effort to overcome the substantial obstacles that now exist.

Toward a New Framework

What would be needed to move forward toward a framework to achieve a breakthrough in relations? Public opinion in Russia and Japan exerts considerable influence on the way policy is shaped toward the other country. According to many polls, Japanese antipathy toward Russia has exceeded 80 percent. This can be explained by a sustained negative image of Russia, dating to the Cold War, of a neighboring country set against Japan (a war against Japan in violation of the non-aggression treaty, the death of more than sixty thousand prisoners of war in Soviet camps, the seizure of "originally Japanese territories," and the attempts to extend communist ideology to Japan). After the disintegration of the Soviet Union, the majority of stereotypes did not disappear but were complemented by negative views related to the lack of democracy in Russia and endemic criminality and corruption. Added to the narrative, recently, are images of the assertiveness of the Russian military, violations of international law, and interference in the internal affairs of other countries, as noted above in the discussion of Ukraine. Among those who shape public opinion—the mass media, think tanks, prominent historians, and political scientists—all are infected with the "negative Russian virus."

Russia is far behind Japan in using soft power instruments to explain to Japanese Russia's realities and true intentions. Recently, the level of antipathy toward Japan in Russia rose sharply from 20 to 31 percent—a response to intense Japanese pressure on the territorial problem and anti-Russian policies, sanctions in connection with the Ukrainian crisis, as well as Tokyo's solidarity with the Western front against Russia. On the whole,

in the eyes of the Russian people, Japan is neither a friend nor an enemy. Nonetheless, Abe undertook an official visit to Moscow in April 2013 and took part in the opening ceremonies of the Winter Olympic Games in Sochi in February 2014, despite the Olympics boycott by leaders of other European countries and the United States. Abe also began to insistently raise the question of a return visit by Putin to Japan. However, the visit did not materialize either in 2014 or 2015. Abe persevered, despite the well-known difficulties in relations between the G7 and Russia. In his meeting with Putin on September 28, 2015, at the United Nations, Abe listened to the Russian president's proposal to visit one of the Russian regions to conduct an informal meeting of the two leaders, although conditions have still not materialized for an official visit of the president of Russia to Japan.

Judging by articles in the Japanese press citing official sources, Abe has begun a concrete examination of whether to accept Putin's invitation. In his New Year's press conference on January 4, 2016, Abe again underscored that "without a Japan-Russia summit the problem of the Northern Territories cannot be resolved." Moreover, clearly addressing the White House, which does not approve of the contacts between the Japanese prime minister and the Russian president, Abe said, in effect, that Russia is playing a constructive role in the battle against terrorism in Syria and Iraq, and this is "extremely important." Various proposals were being aired in Japan that Abe, in the spring, could meet with Putin in one of Russia's regional cities. In that case, Abe could inform Putin about the planned contents of the G7 meeting, and, thereby, play the role of a bridge between Moscow and the G7, conveying to the others at the meeting the "opinion of the Russian president."

Evidence of Abe's seriousness about improving relations with Moscow can be found in his December 2015 designation of Toyohisa Kozuki to be Japan's new ambassador to Russia. Kozuki is a representative of the "Russian school" of Japanese diplomats and a supporter of a positive course in bilateral relations. On January 10–14, 2016, Masahiko Komura, vice-president of the Liberal Democratic Party, visited Moscow, where he met with Sergey Naryshkin, chairman of the State Duma, and Lavrov. Plans exist to reconvene, in the near future in Tokyo, to discuss questions of Japan-Russia economic cooperation.

Looking Ahead in 2016

What dynamic of bilateral relations can we expect during the first half of 2016? If there is no unexpected crisis in international relations, an unofficial visit by Abe to meet Putin in one of Russia's regions most likely will take place. For the Japanese prime minister, it is extremely important to achieve a specific agreement, or at least the appearance of one, to underscore that his efforts to converse with the Russian president have not been made in vain. If such an outcome did not materialize, a "loss of face" would be unavoidable. The most favorable outcome of the meeting would be to reach agreement to begin practical preparations for an official visit of Putin to Japan, in the second half of the year. The two

leaders would agree to issue instructions to their diplomats "to accelerate the negotiating process for a peace treaty." Abe would inform Putin of the agenda of the forthcoming G7 summit, and he would emphasize the importance of strengthening cooperation in the battle against international terrorism.

That is the optimistic scenario for the meeting. One could speak of its success if the two sides agree, in preparation for Putin's visit, to draft a series of statements about cooperation; however, these statements would fall under the shadow of the sanctions. It will be interesting to see if the Japanese side is prepared to end the sanctions or, if not, to partially remove them. If that were to occur, even more attention could be given to the peace treaty; that is, "new instructions" could be given to negotiators or a "directive to work out" a new approach.

In any case, one can expect quite a furor on the eve of the meeting, and after it, from the opponents of improving relations between Tokyo and Moscow, both in Japan and outside, above all in the United States. It is not difficult to forecast that alarms will sound about "not breaking the solidarity of the West" in rejecting Russia's activity in Crimea and Ukraine. Demands for the "return of all four islands," with no alternative, will become even more insistent. In this situation, any sign of Russia's readiness to compromise will be interpreted as proof of the arguments that Russia "is isolated," "is in a difficult economic situation," and "does not want to play the role of a younger partner to China." Thus, Russia will have to satisfy all of Japan's territorial demands.

In Russia, there will also be no shortage of critics of the policy toward Japan, who argue that any sort of concessions should not be offered. In Russian political elite circles and expert society, the opinion prevails that the Japanese side, including Abe, will not make any compromise decision regarding the territorial question, and if it did so, it would "retain what was left of the issue to be used in the future." Tokyo's support for the anti-Russian policies of Washington will not change, and there will be no removal of the sanctions on Moscow. In general, it is not beneficial to conduct negotiations on a peace treaty when one side, Japan, is carrying out unfriendly policies toward the partner with which it is planning to sign an agreement on peace, friendship, and good-neighborliness. In Russian business circles there are few who believe in a shift of Japanese business in the direction of Russia, with large-scale investments and the transfer of contemporary technology, even should a peace treaty be signed.

We should not forget about public opinion, especially in Russia, which is witnessing a serious intensification of patriotic and nationalist emotions. Abe is enjoying the support of a significant part of the Japanese population, and Putin has even higher ratings of support from the Russian people. However, even such popular leaders need to take into account their domestic political situations, which could be aroused by an unpopular decision. Before making a fateful decision for both countries, it is extremely important to change,

in a fundamental manner, the character of Russo-Japanese relations. This change must involve achieving a high level of mutual trust and cooperation in all spheres, including public opinion in both states, so that a compromise decision on the territorial problem is not interpreted as an unjustified concession and a defeat at the hands of the negotiating partner. Otherwise, there would inevitably arise revanchist feelings that would be leveraged to reexamine or reject the agreement.

Conclusion

The current state of Russo-Japanese relations does not give rise to serious optimism about the possibility of reaching a mutually acceptable agreement on a peace treaty, above all on the territorial problem. At the same time, there remains slight hope that the leaders of the two countries, Putin and Abe, will succeed in building a new foundation on which they can search for a decision on this most difficult issue.

Chapter 4

A Once in Sixty-Year Opportunity? Shinzo Abe's Approach to Vladimir Putin

Tomohiko Taniguchi[1]

In early 2016, three developments converged to give Shinzo Abe, Japan's prime minister, a renewed opportunity to further his relationship with Vladimir Putin, president of Russia. First, economic sanctions put in place against Russia, in response to its actions in the east of Ukraine, were to expire at the end of July. Discussions had to take place on whether they should be extended, and Putin is counting on Abe to enable Russia to leave the sanctions regime, especially given that the year found Abe chairing the G7 meetings. Second, given the legislative elections for the State Duma, the lower house in Russia, due in September, there is a desire on the part of Putin to score some diplomatic advances in the first half of the year, and Japan looks promising to highlight progress, whatever that may be. Third, perhaps most important, with gas and oil prices plummeting, there is growing concern as to how sustainable Russia's economy will be. Some fear that even a default in international financial markets might not be out of the question. Thus, Putin has been more desperate to boost economic ties with Japan.

Abe is seeking to take advantage of these developments. The timeliness for him could be explained as follows. One, since China's growth engine has slowed, it has clearly lost economic clout. Thus, Moscow has found the country relatively less attractive and Japan more promising. Two, Abe had a list of pent-up offers he could make to Putin, once the sanctions were lifted, from assisting Russia to improve its medical services to taking actions jointly to better Russia's dilapidated urban infrastructure. Three, and most importantly, Abe now has a greater say in the international arena because he is the chair of the G7 meetings, all to be held in Japan in the first half of the year.

On the questions of what to do with the sanctions against Russia, how best for

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the international community to deal with Daesh terrorism, or how to respond to the crisis in Syria, consultations with Putin are an urgent need for the G7 community. Abe, as its chairperson, is tasked to serve as a bridge between the two—Russia and the G7 community. Among the greatest achievers among Japan's recent prime ministers, he has strengthened the U.S.-Japan alliance, widened Japan's strategic space by scaling new heights in relationships with Australia and India, and within the nation, enhanced security preparedness. This means that Abe has found greater room for pursuing his own agenda vis-à-vis Russia, in general, and with Putin, in particular. In short, with greater diplomatic capital and as the chief rapporteur bridging Russia and the G7 community, Abe will find it much easier to reach out to Russia by making a journey to the country to have a tête-à-tête with Putin.[2]

Russia Matters Even More for Japan

Why does it matter for Japan to seek better ties with Russia? How prepared is Shinzo Abe to achieve a breakthrough on his watch? Economic relations could benefit Russia more than Japan. Japan is bigger in terms of nominal gross domestic product than South Korea, Turkey, and Russia, together.[3] Japan is selling cars to Russia in large number (49,142 in 2015), yet they are used cars; much smaller New Zealand usually buys more than double that number of Japanese second-hand cars.[4] Japan's exports to Russia recently peaked in 2012 at $12.6 billion. Taiwan, however, imported from Japan, in the same year, 3.8 times that figure.[5] In addition, with the world awash in natural gas, Japan has much reduced appetite for Russian gas. Russia, in contrast, is fully aware that, without Japan's capital and technology, the large landmass of Siberia could not be fully developed. Japan's relations with Russia are, therefore, still driven not by economic interests but primarily by political ones, which are described below.

Setting aside the two nations' territorial issue in the Kuril Islands, to have greater security up north, between Russia and Japan, bears greater value for Tokyo than ever before, now that there are more uncertainties in the south, due to Beijing's assertiveness. Beijing could also cause Russia and Japan to be more closely aligned, for both increasingly feel uneasy about China's unilateral approach to exploring the Arctic navigation route, among other concerns. Never before in Japan's postwar era has the country found itself militarily threatened on both

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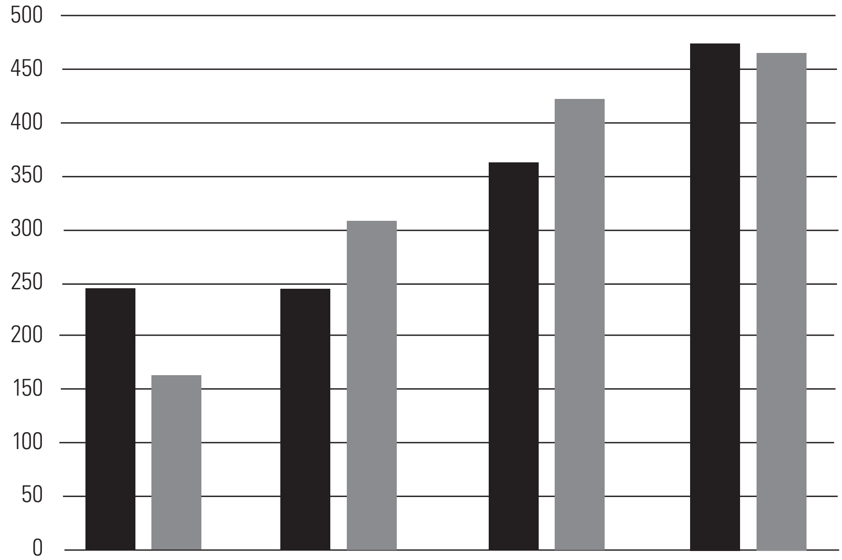
[2] It is widely speculated that Abe will be visiting Russia in early May.

[3] Figures are for the year 2014 and from the IMF's World Economic Outlook databases.

[4] "Chūkosha Yushutsu Zennenhi 28.1% Gen: Afuganisutan Yushutsu Daisū Oobaba Jōshō" [Used Car Exports down 28.1% on Previous Year: Number Exported to Afghanistan up Substantially]. Goonet Jidōsha Ryūtsū. Accessed February 13, 2016. http://www.goonews.jp/data_bank.php.

[5] Japan External Trade Organization (JETRO). Japan's imports and exports to and from Taiwan, the United States, and Russia. Accessed February 13, 2016. Raw data. https://www.jetro.go.jp/world/search/result?countryId[]=8&countryId[]=35&countryId[]=46&displayItemId[]=2&nendo=2015&money=.

Figure 1. Frequency of Japanese scrambling.



	FY 2011	FY 2012	FY 2013	FY 2014
■ Against Russia	247	248	359	473
■ Against China	156	306	415	464

Source: Japan Ministry of Defense.

the north as well as the south. It is rational for Tokyo to attempt to soften the northern edge by putting the Russo-Japanese relationship on a more sustainable trajectory.

With Japan's defense capabilities overstretched to cope with China's rather regular intrusions into its sea and air spaces, Tokyo can ill afford, for instance, to scramble its fighter aircraft against incoming Russian military airplanes. The frequency of scrambling against the Russians has not decreased, but rather increased, ironically, since Shinzo Abe took office and began enhancing his personal bond with Vladimir Putin (fig. 1).

One wonders whether, were the peace treaty between Japan and Russia in place, the scrambling against the Russians would become less frequent, and Tokyo, as a result, could better concentrate its military assets to its south. Suffice it to say, lessening uncertainty, not to mention hostility, between Russia and Japan has recently gained urgency.

What of the territorial issue? The war between Russia and Japan began only six days prior to Japan's World War II surrender. It has never ceased, in theory, since a number of previous attempts to forge a peace treaty have all ended in vain. To put the war finally to rest entails solving pending differences, and, among them, what the Japanese call the Northern Territories issue stands out.

The Northern Territories

We must define what is, and what no longer is, at stake in discussing the issue of the Northern Territories. No longer at stake is the desire, once burning, of the former island residents to return to their hometowns to live. Still strong may be their hope to visit their ancestoral land and their family graveyards, of their own free will. Statistics show that 6,482 men and women, or less than 40 percent of the former residents, were still alive at the end of 2014, with an average age of 80.2 years old,[6] which means that those survivors were elementary schoolers when the Russians invaded their home islands.

Three things are still at stake. One, once back, those islands could give Japan expanded territorial waters and an equally expanded exclusive economic zone (EEZ), from which Japan could permanently benefit, strategically as well as economically. Two, the "sunk" political cost to solve the pending issue is already enormous for both Tokyo and Moscow, and, particularly for Tokyo, it is too late to switch to a different mode of conduct. Moscow's attitudes with respect to the issue have fluctuated over the last seven decades. Since the Gorbachev era, however, Moscow has been consistent in admitting that, unless the two countries reach an agreement on the territorial dispute, there will be no peace treaty. The two countries are still willing to pay the price to solve the issue, which is unique, if compared to similar cases faced by Japan. Three, and no less important, it is self-evident that the issue cannot be separated from similar cases Japan has with China and South Korea. To give up on the one with Russia would inevitably weaken Tokyo's positions on others.

Is Shinzo Abe Ready?

The more Japan expends political capital, the more cherished will be the reward if the issues are finally solved. Tackling the pending issues with Russia in an attempt to forge a peace treaty has, over time, turned the territorial issue into a "trophy" project that only those rich in accumulated political capital could dare to pursue. Japanese prime ministers in the recent past, who were in office only for short periods, could not have even addressed the problem. For the Russians, from Vladimir Putin to Foreign Minister Sergey Lavrov—a walking chapter of Russian diplomatic history—Japan's revolving-door prime ministers hardly put the Japanese on a par with them. That puts Abe in a unique place. First, his populartiy ratings, rarely below 40 percent, will likely lead him to remain in office for another two years to 2018, the year in which Putin will also have to stand for reelection. Some in Japan even go so far as to speculate that Abe could extend his term two more years by calling

[6] Japan's Ministry of Foreign Affairs (MOFA), "Warera no Hoppō Ryōdo" [Our Northern Territory]. Ministry of Foreign Affairs of Japan. 2014. Accessed February 13, 2016. http://www.mofa.go.jp/mofaj/files/000035454.pdf.

general elections in 2016,[7] either way staying long enough in office to aim for achieving the objective with Russia.

Second, Abe is endowed with greater diplomatic capital than any one of his recent predecessors. The standing ovations he earned when he addressed a joint session of the U.S. Congress in April 2015 are still fresh in Japanese memories. With new and more substantial security cooperation guidelines also in place, it is safe to say that Abe has brought the U.S.-Japan alliance to new heights. He has also made Japan's relations with Australia and India much closer. Narendra Modi, India's prime minister, is not shy about addressing Abe as one of his closest friends.

Since his return to office on December 26, 2012, through December 21, 2015, Abe, while in Japan, spoke with world leaders either in person or over the phone 420 times; abroad, met either in person or multilaterally with world leaders 221 times; and left Japan for travel abroad 39 times, visiting 63 countries and spending 192 days outside Japan. In comparison, former prime ministers Yasuo Fukuda, Taro Aso, Yukio Hatoyama, Naoto Kan, and Yoshihiko Noda together visited only 46 countries.[8] He has developed close friendships with such leaders as Tamim bin Hamad Al Thani, emir of Qatar; Recep Tayyip Erdogan, president of Turkey; Benjamin Netanyahu, prime minister of Israel; and with Vladimir Putin. Among the most connected and recognized leaders active on the international arena, Abe is readier than most past Japanese prime ministers to move Russo-Japanese relations forward. It is conceivable that he has developed a strong sense of mission that, if not for him, the peace treaty would be much further away.

Abe's Immediate Task

Abe's immediate task is to bring Russia and Japan back to where they were in April 2013. Since December 2012, he has met Putin eight times, among which, the one in Moscow in April 2013 was the most fruitful. It was the time, in retrospect, when Tokyo rather innocently hoped to raise the bilateral relationship to a quasi-alliance, the evidence of which was that Japan proposed, and Russia agreed to, regular "two plus two" joint foreign and defense ministerial talks,[9] an initiative Japan has chosen to launch only with partner nations

[7] The current term for the Lower House is due to terminate in 2018. The speculation presupposes that the Liberal Democratic Party, of which Abe is president, alters its party bylaws. According to the current bylaws, the party's president must be selected once every three years and can serve only two consecutive terms.
[8] Unpublished data provided by the Japanese Ministry of Foreign Affairs.
[9] Abe said at the joint press conference, "As far as security and defense are concerned, we agreed to launch consultations between our foreign policy and defense agencies at the ministerial level employing the so-called 'two plus two' formula. I very much hope that this will greatly increase the level of cooperation between our two nations, Japan and Russia, in providing security and defense." President of Russia. "Press Statements and Answers to journalists' Questions following Russian-Japanese Talks." April 29, 2013. http://en.kremlin.ru/catalog/persons/356/events/18000#sel=22:8,22:63.

deemed strategically salient. They are unlikely to be resumed, at least for now, after Russia breached internationally-accepted norms by grabbing Crimea and invading Ukraine. What could and should be reaffirmed, however, is the pledge by the two leaders to negotiate a peace treaty and, rather than letting diplomats on each side shoulder the task, recommit themselves to putting their weight behind the negotiations and personally guiding the process.[10]

It is for that purpose that Abe appointed, on January 22, 2016, Chikahito Harada, the previous ambassador to Russia, as his personal envoy. With the newly created title, "ambassador in charge of Japan-Russia relations," Harada, a veteran Russia expert, met his counterpart, Igor Vladimirovich Morgulov, Russia's deputy foreign minister, in Tokyo on February 15, 2016, and is expected to contact Putin's close circle extensively. His title may have no precedent, yet the role Harada plays has one in Japan's diplomatic history. Between 1955 and 1956, the Japanese ambassador to the Court of St James's, Shunichi Matsumoto, was tasked with advancing Japan's relations with Soviet Russia by meeting frequently with his counterpart, Yakov Malik, himself stationed in London as the Soviet Ambassador to Britain.[11] The two paved the way for the rapprochement that took place in October 1956. Exactly six decades later, Shinzo Abe expects Harada to play a similar, yet even more important, role.

What, then, is the difference between Abe and Putin on the territorial issue? Not even his closest aides are fully aware of what Abe has proposed to Putin, or vice versa, for when they meet they normally set aside time for tête-à-têtes, with only their respective interpreters sitting beside them. Yet we had a glimpse of what they may be discussing on the territorial issue. Yomiuri Shimbun, reporting on the meeting Abe and Putin had on the sidelines of the G20 summit, November 15, 2015, in Antalya, Turkey, wrote, without any source indicated, that Abe proposed what he thought would amount to a "draw" between the two countries. Putin responded by saying that it would not be a hikiwake (draw) but would give Abe an ippon (win).[12]

For many years, Tokyo has continued to stress that, whatever solution Japan and

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[10] At the same conference, April 29, 2013, Abe said, "President Putin and I confirmed our understanding that the existing situation of a peace treaty between Japan and Russia not being signed 67 years after the end of the [World] War, is not normal. Given this fact, we agreed to give our Foreign Ministries instructions to accelerate talks on designing a mutually acceptable resolution. In the future, President Putin and I will discuss this issue after receiving reports and presentations from our foreign ministries on the progress of the negotiations. The negotiations on signing a peace treaty have been at a standstill for the last few years. But during today's talks, we were able to agree that we will renew negotiations, and we will accelerate this process. I believe this is a major result of our meetings. As for me personally, I will work on this matter directly, since it is the biggest unresolved issue between our two states. I will make every effort to resolve it." Ibid.

[11] Yakov Malik was the Soviet Union's ambassador to Japan, who handed his country's declaration of war to the Government of Japan.

[12] It was a quintessentially Putinesque response to use judo terms. *Yomiuri Shimbun*. December 22, 2015.

Russia reached, it must be "acceptable to both countries." Conventional wisdom holds that, between the lines, that statement implies that Tokyo no longer demands all four islands be returned at once, whereas it is to be hoped that Russia gives back to Japan more than Habomai and Shikotan, the two that the Soviets agreed to return six decades ago, once the peace treaty has come into existence. Whether Abe demanded that, in addition to the two islands, Kunashiri should also be returned in full to Japan, thereby inviting Putin's "ippon" reference, is anyone's guess. It is more noteworthy that the two leaders share a degree of frankness that enables them to exchange their views in such a way.

Far from Optimistic with a Long Memory

Abe is far from optimistic. He may be thinking that time is not on his side to conclude the negotiations with Putin. Why is this so? When Abe met Putin in Sochi, February 2014, a plan was taking shape that, come autumn, Abe would take the visiting president to his hometown, Yamaguchi, and, together, take a hot spring bath. Absent the subsequent invasions Putin orchestrated in Crimea and Ukraine, diplomacy between the two middle-aged, naked men might have yielded results. That is not a laughing matter; Abe has a memory, longer than any of his contemporaries, of how difficult it is to strike a deal with Moscow. Between the ages of twenty-eight and thirty-seven (1982–1991), he was a private secretary to his father, Shintaro Abe, who spent four years as foreign minister, before dying in 1991 when he was serving as secretary general of the Liberal Democratic Party. The son always travelled abroad with the father, and attended most of the meetings his father had with foreign leaders. One month before his father's death, Shinzo Abe must remember most vividly his father making an extra effort to leave his hospital bed to meet visiting president Mikhail Gorbachev. Paper-thin due to pancreatic cancer, Shintaro Abe wore coats and underwear that his wife, Yoko Abe, had padded to make him look less frail.[13]

Furthermore, Shinzo Abe was born and raised in an extended diplomatic family that included Shigeru Yoshida and Yosuke Matsuoka, who as wartime foreign ministers forged the neutrality pact between Japan and the Soviet Union, which would ultimately be broken unilaterally by Moscow, thereby sowing the seeds of the ongoing problems between Russia and Japan. For Shinzo Abe, therefore, the bilateral relationship is something to be handled with ultimate care, the greatest use of political capital, and the longest-term approach. He is the last person to optimistically presume that, on his watch, Japan could reach a peace treaty by solving the issue that has been sixty years in the making.

For Abe, however, the difficulty of the negotiation lies in the fact that the two leaders must be both popular and powerful at the same time, and they must build trust strong

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[13] Abe, Yoko. *Watashi no Abe Shintaro: Kishi Nobusuke no Musume toshite* [My Dear Shintaro Abe: From the Perspectives of Nobusuke Kishi's Daughter]. (Tokyo: NESCO, 1992). 33, 38–40.



At the balcony of Vladimir Putin's Sochi guest house, February 8, 2014. The Akita inu dog, named Yume (or dream), was a gift the governor of Akita prefecture sent in July 2012 to the dog-loving Russian President. (Mikhail Klimentiev/AFP/Getty Images)

enough to bind the two and incentivize them to override domestic oppostition to a deal. In any event, the deal must be struck, not between the two foreign ministries, but between the two leaders. To build enough intimacy between them, Abe is of the view that he must meet Putin as many times as possible. How many tête-à-têtes could he hold in the remainder—two to four years—of his administration? Realistically, that number is likely fewer than ten, which fuels his sense of urgency. That, again, explains why he deems it important to make at least one of those meetings an extended one, perhaps in a hot spring bath. In the year 2016, he will most likely concentrate his diplomatic capabilities on trying to convince Putin that, if not the two of them, no one else could solve the abnormal bilateral relationship.

PART II

GEOSTRATEGIC RELATIONS

Chapter 5

Russia's Approach to Japan under Vladimir Putin: A Strategic Perspective

Dmitry Streltsov

What is Japan's strategic significance to Russia? How do Russians perceive their country's salience to the U.S.-Japan strategic alliance? How does the China factor figure into the prospects for improved Russo-Japanese relations? Reflecting on the strategic calculations behind the efforts to invigorate ties in the mid-2010s, this chapter concentrates on Russian thinking in light of the U.S.-Japan alliance and the state of Russo-American relations. It sheds light on problems that still bedevil this relationship, setting aside the Kuril Islands territorial issue (apart from its strategic implications).

It is well understood that Japan is not at the forefront of Russian strategic thinking. Tokyo has some bilateral significance for Moscow, but many are prone to view it through a "triangular" lens. Given the salience of Russo-American relations, it is inescapable that Russians perceive Japan through this lens, paying attention to U.S.-Japan relations as they consider Russia's strategic opportunities with Japan. Another triangular lens views Japan from the perspective of the increasingly important Russo-Chinese relationship. Given China's strong views of Japan's regional military activities and Japan's obvious interest in how these triangles evolve, Russians must be conscious of this framework for viewing relations.

Japan has good reasons for wanting to transform its relationship with Russia. Tokyo has openly expressed serious fears of a military confrontation with Beijing over China's claims to the Senkaku (Diaoyu) Islands in the East China Sea. And Japan is uncertain how its strategic ally, the United States, would ultimately respond to a major military incident there.

Equally obvious are Russia's motives. The eastern focus in Russian energy policies changed Russia's appreciation for Japan as a prospective market for Russian energy resources. Russia requires a long-term and predictable partner because of the acute need for Japanese investment and technologies to provide for a modernization breakthrough in Russia's Far East. An additional motivation for good relations with Japan was created by the financial crisis in which Russia found herself after the introduction of economic sanctions in 2014 and the unprecedented decline in oil prices in 2015–16. What is also apparent

to Russia is that its relations with Japan must improve if it is to achieve a more balanced economic and political strategy in Asia, in particular in the context of the economic and military rise of China.

Factors Influencing the Putin Administration's Japan Policy

The activity of Russia in multilateral structures of East Asia has been most noticeable in the sphere of military security (Six-Party Talks, Shanghai Cooperation Organization, Association of Southeast Asian Nations Regional Forum, etc.). Russia has refrained from sending its highest-level officials to the summit meetings of economically-oriented regional organizations, like the East Asia Summit, which Moscow joined in 2011. In 2015, President Vladimir Putin even skipped the Asia-Pacific Economic Cooperation summit. Russia deliberately takes a neutral stance, in spite of diplomatic pressure from China, which tries to persuade Moscow to support it on the Senkaku/Diaoyu problem. On the Korean Peninsula, Russia develops relations with both the North and the South, which enables it to positively interact with both sides. Besides, Russia rejects the bloc-division approach to regional security and pursues the idea of "network diplomacy," so as not to antagonize other regional actors. Russia does not participate in any military bloc and does not pose (at least on the level of official military doctrine) a threat to Japan, for whom the potential enemy is China or North Korea, not Russia. With this reasoning, Russia can look forward to a geostrategic relationship with Japan, accentuating multilateralism, if Japan can resist a clashing strategy dominated by the United States.

Many in Russia are persuaded that, unlike most countries of Northeast Asia, Russia does not face any problems from the historical past with its neighbors, such as those Japan is confronting with China and Korea. While Russia is not involved in territorial spats (apart from the Kuril Islands issue with Japan, which can be settled by Putin and Abe) and unresolved historical issues in East Asia, it has, more or less, normal relations with all opposing parties in these other Northeast Asia conflicts. In this context, Russia is the least "unpleasant" and "undesirable" partner. Its neutral status is the best trump card it can effectively use in the political bargaining with other parties. Russia's potential role is (both in Moscow and among other regional actors) as a "go-between" nation. If Japan accepts it in this capacity, this will give a major boost to their bilateral negotiations.

Another important factor in Russia's strategic thinking lies in the economic sphere. The policy of "turn to the East" prioritizes Japan as one of the key economic partners in Asia. In Moscow's view, the strongest opportunities for bilateral cooperation with Japan exist in the sectors of energy, infrastructure, agriculture, housing, energy conservation, medicine, and information technology. Given its wealth and size, Japan could continue to be one of Russia's most important energy markets for years to come, especially in light of the deep structural reforms of its energy sector after the Fukushima disaster. As steps for attracting

Japanese investment, Moscow showcased its presence at the September 2015 Eastern Economic Forum in Vladivostok, introduced in the Far East the system of "territories of advanced development" with unprecedented benefits for foreign residents, and declared Vladivostok a "free port" as of 2016. The late 2015 visit to Japan by Igor Sechin, head of the government-owned, Russian oil company Rosneft, reaffirmed Moscow's interest in Japan's investment in Russian oil and gas deposits in East Siberia and the Far East. By responding to these initiatives, Japan would greatly boost the prospects for a breakthrough in ongoing negotiations.

Japan's Geopolitical Approach and Russia's Response

Unlike China and even South Korea, Japan joined the sanctions policy and introduced regulations for financing new projects in Russia. Tokyo treats Russia's action in Crimea as a violation of the postwar status quo and as something harmful to international stability. Chief Cabinet Secretary Yoshihide Suga told reporters, "Russia's annexation of Crimea is in violation of Ukraine's sovereignty and territorial integrity. Japan by no means approves of such attempts to change the status quo with force." Speaking in Belgium on January 20, 2015, Foreign Minister Fumio Kishida told the international community that the situation in Ukraine is comparable to the Kuril problem in that the status quo has been changed by force. Russia was extremely sensitive to this statement. The official commentary from the foreign ministry stated, "It was militarist Japan in cooperation with Nazi Germany that used force to break the status quo which existed prior to World War II and occupied a whole number of countries as it sought to assert its dominance in the world."

Though disillusioned with Japan's behavior, Russia still acts on the premise that the Ukrainian issue does not affect Japan's national interests directly, and it gives special treatment to Japan, separating it from other G7 countries. Moscow does not overly criticize Tokyo in state-controlled media and senior officials' public statements. Japan's sanctions are labeled as "limited," "insignificant," and "compelled" under severe pressure from Washington. Russia has especially stressed that Japan's sanctions are milder, less sensitive than those introduced by the European Union.[1]

Russia's unspoken hope towards Japan, based on historical experience, is that Japan has always exercised political expedience and has been reluctant to stick to "democratic principles" in situations affecting its own national interests. For example, in its official development assistance policy, Japan was always the first to lift sanctions against "undemocratic" regimes, if they ran counter to its economic gains. For example, Japan was

[1] For example, in spite of visa restrictions on government officials, Japan readily accepted Sergey Naryshkin, speaker of the Lower House of the Russian Duma, who is included on the black list of G7 countries, as the head of the delegation attending the opening ceremony of the 2015 Japan-Russia cultural exchange in Tokyo.

the first member of the G7 to restore high-level relations with China after the Tiananmen incident of 1989. Moreover, while Japan formally joined Western sanctions against the Soviet Union after Soviet troops invaded Afghanistan, Tokyo continued to intensify trade and investment relations with Moscow, which grew rapidly in the early 1980s. At present, Russia hopes Japan would be pragmatic, as usual, and play the role of a "bridge" in normalizing Russia's relations with the West, in exchange for certain economic benefits.

In pursuing its policy towards Japan, Moscow also counts on personal relations between the leaders of the two countries. Such relations are especially important, given the personality-oriented nature of the electorate in both countries. Since the beginning of Dmitry Medvedev's presidency of 2008–2012, Moscow has deliberately played the game of "good cop, bad cop," using the image of a stern Medvedev as the bad cop and the Japanophile Putin as the good one. When Medvedev was president, political relations fell to an unprecedented low as the parliaments of the two countries openly squabbled about the territorial issue. Seemingly oblivious to Japan's negative reaction, the central government doubled investment in the Kuril Islands in 2011, while Russian military units located on the South Kurils were equipped with anti-surface and anti-aircraft defense missiles. Since 2009, Mr. Medvedev has thrice visited the South Kuril Islands (his latest visit, in his role as prime minister, was in August 2015).

Since returning to the presidency, Putin has shown himself to be in stark contrast to his predecessor. In 2012, he decided to resume the dialogue with Japan over the peace treaty and even spoke of the possibility of a hikiwake solution to the territorial problem. As he did not go into details, preferring to retain "strategic uncertainty" over the issue, the Japanese side interpreted these words as Russia's readiness for further concessions. In Japan, observers took special notice of the fact that Putin refrained not only from visiting the Northern Territories but also from radical statements on the territorial issue, as Medvedev had made. The impression of "good" Putin was strengthened during the official visit by Prime Minister Abe to Moscow in April 2013. Although the visit did not lead to any visible progress in settling the problem, it was optimistically covered by the Japanese media as the beginning of a new, positive stage in Russo-Japanese relations, because the leaders agreed to resume the territorial dialogue.

Putin assessed very highly the fact that the Japanese prime minister was the only G7 leader to attend the opening ceremony of the Sochi Olympics of 2014. In 2015, he and Abe continued their personal contacts, regularly speaking on the phone on their birthdays, offering congratulations and exchanging presents,[2] and seizing opportunities to share their personal views on international matters.

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[2] The *Akita* dog presented to Putin and the Siberian cat received by Abe were elevated by journalists to a symbolic level.

However, it is true that under Putin's presidency there has been considerable a military build-up around the Northern Territories, including the reinforcement of Russian troops, wide-scale construction of military objects on the islands, and an increasing number of overflights near Japan's border. In 2015, to the irritation of the Japanese side, Russia adopted an ambitious ten-year program of economic development on the Kuril Islands and completed, in September 2014, the construction of a new airport on Iturup. These facts show that, after 2012, Moscow demonstrated not two policy options embodied by different political leaders but rather a single "sticks and carrots" policy, seemingly contradictory but coherent enough and evidently aimed at making Japan more compliant. Moscow tries to revitalize relations with Japan by giving Japan vague promises, on the one hand, and "punishing" it for improper behavior (i.e., joining the sanctions policy and following orders from Washington), on the other.

The U.S. Factor

Does Russia matter for the U.S.-Japan strategic relationship? Both the regional and global contexts of the "Russian problem" are important. In East Asia, the U.S.-Japan relationship faces multiple threats that highlight its raison d'être. Among the main reasons frequently mentioned for its existence are the necessity to contain China, given its military and economic rise; the danger from North Korea; the existence of numerous territorial spats and problems of the historical past; and the absence of other mechanisms of international security in East Asia. From this point of view, it is clear that Russia does not matter much. Its status in the economic relations of Asia is still low, and its voice in regional organizations is not loud enough to influence the strategic balance in East Asia. Russian Siberia and the Far East are underdeveloped territories, facing a sharp demand for foreign investment. Fully realizing the weakness of its role in regional trade and economic relations, Russia is involving these territories in the existing economic integration efforts. In the regional geo-economics of East Asia, Russia is more an object of external influence than an independent actor. As far as Russian military activity in the region is concerned, neither the United States nor Japan prioritizes it in the list of dangers, treating Russia mostly as an auxiliary factor for regional strategic balancing. In this context, their main concern with Russia is that it will draw too close to China, whatever the reason—due to economic sanctions, diplomatic isolation, or overlapping interests and identities.

Yet the Russian component of the U.S.-Japan strategic alliance is perceived differently by Washington and Tokyo. As for the United States, one should understand that the global context of the U.S.-Japan partnership is more important than the regional situation in East Asia, in which Russia is treated by Washington as an actor that can be ignored. Therefore, it wants Japan to pursue a policy of global diplomatic isolation of Russia, including sanctions. In light of Russia's ongoing posturing in Europe and its wider-ranging adversarial stance

against the West, the United States evidently is opposing not only Japan's rapprochement with Russia, but even the resumption of high-level political contacts between Moscow and Tokyo, viewing them as a method to break the consolidated Western position. U.S. officials voiced their dissatisfaction with Japan's intention to invite Putin to Japan. On September 22, 2015, State Department spokesman Mark Toner said, "We've been very clear in saying that we don't believe that it's time for business as usual with Russia given their behavior in eastern Ukraine." Washington wants Tokyo to take part in "punishing" Russia on the global level, but not crossing a line that would lead to a qualitative leap in Russo-Chinese military ties that could change the strategic balance in Asia.

As for Japan, its approach is two-fold and ambiguous. On the one hand, as a loyal U.S. ally and member of the G7, it is eager to show solidarity with the West and has to refrain from pursuing excessively close political ties with Moscow. Japan is anxious about its Western partners' reaction to its effort to build a special dialogue with Moscow. Most experts agree that, given U.S.-Russian relations, Russia will still be excluded from the G7 summit in 2016 hosted by Japan. This situation helps us to understand the reason for the anguish of Tokyo policymakers, which results in a half-hearted policy towards Russia. For example, Kishida's visit to Moscow in preparation for Putin's visit to Japan was postponed several times and, according to rumors, occurred in September 2015, only due to a personal kick from Abe.

From Russia's perspective, one can hardly detect any strong impacts that its relations with Tokyo have on the U.S.–Japan strategic partnership. That is, the state of political ties between Tokyo and Moscow has not had any impact on the alliance. When there was a honeymoon in Russo-Japanese relations in in the period of friendship between Boris and Ryu (Russian President Yeltsin and Japanese Prime Minister Hashimoto) in the late 1990s, nothing extraordinary happened in U.S.-Japan relations. Regardless of its relations with Japan, Russian policy towards the United States is motivated by other factors, mostly the global context. Japan is traditionally not an independent factor in Moscow's diplomatic outlook, especially at present when old stereotypes are reactivated. Rather, Japan, in Russian politicians' eyes, is a subordinate country with no powerful say in world politics. It is true that, unlike during the Soviet period, Russia refrains from openly blaming the U.S.-Japan alliance, at least officially. But this is not because Moscow sees the Japanese security policy as justifiable in view of the military rise of China—many people in Russian decision-making bodies tend to think that the U.S.–Japan security treaty still restrains Japan from becoming a military great power or choosing the nuclear option.

At first glance, Russia looks as if it is trying to split Japan and the United States, but, of course, it is not so naïve as to seriously hope to do so. Russia counts on Japan's intrinsic pragmatism and its drive towards a broader posture in the region. Therefore, Moscow's appeal is based on Japan's own national interests, which do not necessarily coincide with

those of the United States. Russia tries to attract Japan with the potential benefits it could gain through fairer relations with Moscow, both economic gains and Russia's neutral stance on Japan's competition with China.

The China Factor

There is also a clear understanding that Russia's diplomatic gridlock with the West has already resulted in Russian military posturing in the Pacific and led to a stronger convergence with Beijing. Some analysts insist that a persistent Japanese "hedging" policy against Russia is fraught with a new bloc-division system in Asia, in which Russia and China would jointly oppose the United States and their allies, including Japan. The scenario of a Russo-Chinese rapprochement in the military sphere is seen in both Washington and Tokyo as a nightmare. Yet this trend should not be overstated. There is a widespread illusion that Russia can form a sort of alliance with China. Though many Western experts position Russia in the "Chinese pole" in the emerging bipolar system, such a conclusion is not based on facts and contradicts historical experience. China has never pursued a policy of military blocs, and Russia has recent negative memories of confrontation with Beijing. Besides, becoming "a younger sister," contrasting with its recent status as "older brother" in its relations with China, is not very popular, not only among ordinary citizens but also among policymakers.

It is true that Russia is strengthening relations with China, especially in the military and technical spheres. The Chinese market is pivotal, as its share in Russian arms exports is more than 40 percent.[3] In November 2015, Russia and China signed a new, $2 billion contract for the delivery of 24 Russian Sukhoi Su-35 fighter jets.[4] Beijing is eager to get access to Russian military, high-tech products, like anti-aircraft S-400 Triumf missile systems, new generation Armada combat vehicles, and Yasen-class nuclear-powered attack submarines. The other side of the story is that Russia is anxious not to let China resort to unauthorized copying, as happened with its Russian-made Su-27 fighters that were modified into Chinese J-11 fighters.

Against this background, Russian supplies of arms to China are based on the premise that China is neither a potential enemy nor a loyal ally, but a solvent client towards whom Russia does not bear any "moral" reservations. Moscow feels itself free to develop military and technical cooperation with Asian countries, like India or Vietnam, that are treated by Beijing as geopolitical rivals. With India, Russia supports an even higher level of technical

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[3] "Začem Rossija Vooružaet Kitaj?" [Why is Russia Arming China?]. Vlasti.net. July 11, 2010. http://vlasti.net/news/95316.

[4] "Russia, China sign $2 Billion Contract on Delivery of Su-35 Fighters." *Sputnik News*. November 19, 2015. http://sputniknews.com/military/20151119/1030368307/russia-sells-china-billions-dollar-su35.html.

cooperation than with China. For example, it pursues a joint project with New Delhi for the development of a fifth-generation fighter, while the most recent contract with Beijing involves only the supply of a fourth-generation fighter. To the dissatisfaction of Beijing, Lukoil participates in a joint project with Vietnam for development of an oil field in the South China Sea, which is the object of Beijing's territorial claims.

There is a clear understanding in Moscow that it cannot rely on China to be a full-fledged diplomatic ally. After all, China has not supported (though not criticized) Russia's position on the Ukrainian crisis, abstained in the United Nations on the Crimean issue, and refused previously to acknowledge the independence of Abkhazia and South Ossetia. Therefore, Moscow, in its Asian policy, prefers to stay pragmatic and avoid any romantic illusions, although towards China this is less noticeable than towards Asian countries involved in the U.S.-led containment strategy against Beijing. Russia carefully tries to keep a balanced position between China and Japan, which proved effective in the mid-2000s, when Moscow hedged against both partners in selecting the route for its first Siberian oil pipeline.[5] Russia consistently resists China's offer to strike a deal, in which Beijing acknowledges the Northern Territories as Russia's, and Moscow takes the Chinese side in the Senkaku/Diaoyu dispute. Russia's main motive is not to add such sensitive issues to the Russo-Japan list of mutual grievances. Sometimes, however, Russia does prioritize Japan. For example, it supported Japan's candidacy to join the Arctic Council (as an observer) in 2012, while rejecting the candidacy of China. It is because Russia wants to keep the door open for political dialogue with Japan, anticipating reconciliation in the face of mutual strategic challenges and threats.

The Japanese Perspective

Japan's Russian policy has a much stronger domestic component than that of any other country in the G7. Tokyo's persistent revival of the Northern Territories issue reflects the domestic concerns of the Abe administration. This issue is generally perceived by the Japanese public as a problem of national dignity. Several generations of Japanese have been indoctrinated with the idea that the Soviet Union committed an act of aggression against Japan by occupying these territories, so any retreat from the tough "four islands" position is a betrayal of the nation. As far as the generally pragmatic Japanese political elite is concerned, their policymaking towards Russia remains hostage to public sentiment. Under Japan's electoral system, its politicians are very sensitive to the views of ordinary citizens (which are sometimes shaped by media reports). As Russia is not vital for Japan's economic interests, it is not politically risky to give it an extra bashing. Thus, the Russian vector of Japanese diplomacy is, to a large extent, driven by nationalistic sentiment.

[5] Finally, the route was chosen to ensure the oil supplies to both countries.

For Abe, the central topic for his future summits with Putin is the issue of the islands. Japan feels itself to be in a much stronger position than before the Crimean affair. In Japan's eyes, after Russia opened a Pandora's box by breaking the principle of inviolability of state frontiers, a new window of opportunity has appeared for changing the situation with the Kuril Islands. Many Japanese think that Putin is capable of showing "generosity" and might "return" the Northern Territories to Japan (starting from the premise that, as Putin gained a new, larger territory, losing small islands would not be domestically painful for him). Besides, Tokyo reckons that the growing instability in the Russian economy will make Russia more compliant, and make Putin more willing to sacrifice something for Japan's tacit approval of the new status of Crimea.

No less important for Japan in its relations with Russia is the China factor. Given the need for leverage with China, Japan tries to keep its ties with Moscow at least normal and refrain from excessive assertiveness over the Northern Territories–-officials and chief negotiators are much more reserved in their statements than are "opinion leaders." Yet Japan has not determined a viable, long-term strategy towards Moscow. The decisions are made on the spot, reacting to the situation in Russo-American relations, the situation around Ukraine and Syria, or the state of the Russian economy. Until now, this wait-and-see approach proved to be not the worst choice for both parties, given the relatively mild level of mutual assaults and the ongoing political contacts—a situation quite different from Russia's relations with other G7 countries.

Conclusion

Japan and Russia are both declining powers with the perspective of being pulled down to the position of secondary players in East Asia. They are both overshadowed by an assertive China. Japan needs balanced and pragmatic relations with Russia to withstand China's pressure in connection with the Senkaku/Diaoyu problem as well as the growing military build-up of China's navy, which sets off alarm bells over the problem of security for its "remote islands." For Tokyo, it is important to have additional guarantees against the threat of a strategic and military bloc between Beijing and Moscow on an anti-Japanese basis. Japan is extremely nervous about Russo-Chinese military and technical cooperation, though its fears are sometimes exaggerated and based on worst-case scenarios.

For Russia, which does not want to fall under excessive economic dependence on China and become its "younger sister," "fair" relations with Japan, especially investment cooperation, would become a part of a grand "hedging policy" toward China. Moscow uses a "sticks and carrots" approach, continuing a strategy of economic development and military build-up on the South Kurils, on the one hand, and teasing Japan with hopes about a "mutually acceptable" solution to the territorial issue, on the other. This game could last indefinitely, which is to Russia's benefit, as the publics in both countries would consider

any imaginable solution to be a "betrayal" and mean political suicide for their leaders. Meanwhile, ongoing administrative control over the disputed islands will, sooner or later, give Russia irrefutable arguments to treat this issue as settled.

For Russia, Japan together with the United States counterbalances China, and China counterbalances Japan. In this context, Moscow does not consider security arrangements conducted within the U.S.-Japan security alliance to be a threat, and, moreover, regards them as a balancing factor in the East Asian security paradigm. Both countries face similar security challenges in anticipation of the unpredictable situation on the Korean Peninsula. The test of a "hydrogen bomb" in January 2016, which took place near the Russian border, emphasized the need for coordinated action in the United Nations and other international institutions. Japan wants to demonstrate that it has the capability to influence the regional political agenda; Russia wants to show that it is still a player in East Asia. Together, they can enhance their political positions in Northeast Asia.

But contrary to Japan's priority, which is mostly in the geopolitical sphere, Russia bases its Japanese policy on economic interests. Russia needs Japan as a market for its hydrocarbons, a source of investment and technology, and a partner in the development of the Arctic region. Besides, Russia hopes that Japan would become a "weak link" in the Western coalition and help Moscow to withstand the consequences of the diplomatic isolation encountered after the Ukrainian crisis. In Russia's view, closer relations could contribute to a safer international environment in East Asia. Moscow understands that it is not too late to foster relations with Japan, but as in the case of Japan, it has no clear-cut strategy and takes a wait-and-see approach based heavily on its assessment of the global situation.

Chapter 6

Japan's Approach toward Russia under Shinzo Abe: A Strategic Perspective

Yasuhiro Izumikawa

On September 28, 2015, Japanese Prime Minister Shinzo Abe met Russian President Vladimir Putin in New York, where they confirmed that both countries would continue to explore the best timing for Putin to visit Japan, in accordance with the agreement reached at their previous meeting alongside the November 2014 Asia-Pacific Economic Cooperation (APEC) summit in Beijing.[1] This was the eleventh meeting that Abe held with Putin, since Abe took office.

Ever since the end of the Cold War increased the possibility of resolving the territorial dispute between Russia and Japan over the Northern Territories (hopporyodo), Japanese leaders have been seeking to conclude a Russian-Japanese peace treaty.[2] Among these leaders, Abe stands out in his relentless pursuit of rapprochement, reflecting his personal commitment to achieving a diplomatic breakthrough. Abe is also better positioned than other politicians to deal with Russia on the territorial issue, because his reputation as a patriotic nationalist would enable him to fend off criticism when he needs to "sell" to the Japanese public a compromise on the issue. Another reason for this intense pursuit may have something to do with Abe's foreign policy advisors. When he was the top bureaucrat in the Ministry of Foreign Affairs (MOFA) under Prime Minister Taro Aso, Shotaro Yachi, the director of Japan's newly formed National Security Council (NSC), once launched a trial balloon for the idea that Russia and Japan split the four Northern Territories in half in terms of total square miles.[3] But there is also a strategic rationale, or what the current Japanese

[1] Ministry of Foreign Affairs of Japan. "Japan-Russia Summit Meeting on the Occasion of the United Nations General Assembly." September 29, 2015. Accessed October 17, 2015. http://www.mofa.go.jp/erp/rss/northern/page1e_000053.html.

[2] Togo, Kazuhiko. "Eurasian Diplomacy in Japan, 1997–2001." Nippon.com. March 13, 2014. http://www.nippon.com/en/features/c00205/. Also see his chapter in this book.

[3] Interview with Shotaro Yachi. *Mainichi Shimbun*. April 17, 2009. The origin of this idea may have come from Akihiro Iwashita, professor at the Slavic-Eurasian Research Center, Hokkaido University. Iwashita, Akihiro. *Hoppō Ryōdo Mondai: 4 demo 0 demo 2 demo naku* [The Northern Territories Issue: Neither 4 nor 0 nor 2]. (Tokyo: Chuokoron Shinsha, 2005).

government perceives to be one, undergirding Japan's current policy toward Russia.

This chapter aims to clarify how strategic factors influence the Abe administration's policy toward Russia. It assesses how Japan's interests match or diverge from those of Russia, concluding with the implications of the aforementioned factors for Japan's approach toward Russia and for regional security dynamics.

Strategic Factors Influencing the Abe Administration's Russia Policy

Three factors interact with one another and significantly influence the Abe administration's Russia policy. The first is China, which has increased in weight in recent years. The second is the United States, which has been significant since the Cold War days. The third is Ukraine, which has dramatically altered the context in which the Abe administration pursues Russia policy.

The China Factor

One of the important factors influencing the Abe administration's Russia policy is the rise of China. While China has influenced Japan's security policy for some time, Sino-Japanese security competition has intensified and caught the eyes of the Japanese public since skirmishes around the Senkaku/Diaoyu Islands began in 2010. China's increasing assertiveness in the South China Sea is also a cause for concern. This heightened awareness of security challenges arising from China drives Japan's Russia policy in two ways. First, balance of power considerations incline Tokyo to Russia, increasingly as a potential counterweight vis-à-vis China. This does not mean that Tokyo is hoping to make an anti-Chinese coalition with Russia; what it means is that Japan expects that better relations between Moscow and Tokyo can have restraining effects on China's behavior, or at least that Tokyo needs to prevent Moscow from becoming too closely aligned with Beijing.[4]

Second, the impact of China's increasingly assertive maritime activities drives Japan's security policymakers to look more toward the south, thus making it more desirable to stabilize the security environment in the north by improving relations with Russia.[5] Coincidentally, military overflights conducted by the Russian air force have increased in recent years; so it might be expected that Japan's Air Self-Defense Forces could concentrate their resources in the south, if the conclusion of a Russian-Japanese peace treaty leads to

[4] This is dubbed the wedge strategy. See Crawford, Timothy. "Preventing Enemy Coalitions: How Wedge Strategies Shape Power Politics." *International Security* 35, no. 4 (Spring 2011): 155–189.
Izumikawa, Yasuhiro, "To Reward or Coerce? Theorizing Wedge Strategies in Alliance Politics." *Security Studies* 22, no. 3 (Summer 2013): 498–531.

[5] For a concise view on this point, see Wallace, Corey J. "Japan's Strategic Pivot South: Diversifying the Dual Hedge." *International Relations of the Asia-Pacific* 13, no. 3 (2013): 479–517.

stability along Japan's northern borders (see Table 1). The fact that the territorial disputes vis-à-vis South Korea (Takeshima/Dokdo) and China (Senkaku/Diaoyu) have become tense in recent years may also encourage the Japanese government to resolve the Northern Territories dispute with Russia, first, so that it may concentrate its diplomatic efforts on these territorial issues.

Table 1. The number of scrambles conducted by Japan's Air Self-Defense Forces.

Year	Russia	China	Others	Total
2010	264	96	26	386
2011	247	156	22	425
2012	248	306	22	567
2013	359	415	13	810
2014	473	464	6	943

Source: Press Release by Joint Staff, Japan's Self-Defense Forces, April 2015. [6]

While the rise of China is influencing Japan's strategic calculus regarding the potential benefits of improved Russia-Japan relations, Japan's Russia watchers argue that the same factor is simultaneously inducing Russia to seek security cooperation with Japan.[7] It is not too difficult to imagine how the balance of power logic induces Russia to watch China's increasing capabilities warily. Even though Russia and China resolved all their territorial problems about a decade ago and often refer to their "strategic partnership," the fact that the two countries share such a long land border makes Russia very sensitive to China's ever-increasing power in the border regions. Indeed, China's increasing economic clout in Russia's Far East is a significant contributor to the rise of Russian nationalism in the region. China's increasing activism in Central Asia under the banner of "One Belt, One Road" can also be something that Moscow watches warily, in particular when Russia seeks to regain its influence in the region under Putin.[8] In addition, China's maritime expansion into the Arctic Ocean seems to be another contributing factor to Russia's quiet, but resentful, wariness toward China. Shinji Hyodo, a Russia specialist at Japan's National Institute of Defense Studies, points out that China's active pursuit of maritime routes in the north

[6] Ministry of Defense of Japan, Joint Staff, "Heisei 26 Nendo no Kinkyū Hasshin Jisshi Jyōkyō ni tsuite" [On the Status of Implementing Scrambles in Fiscal Year 2015]. April 15, 2015. Ministry of Defense of Japan. http://www.mod.go.jp/js/Press/press2015/press_pdf/p20150415_01.pdf.
[7] Sato, Masaru. "Chugoku o Keikaishi, Sekkinsuru Nichiro" [Japan and Russia Drawing together and Guarding against China]. Chuokoron. April 2013. http://www.chuokoron.jp/2013/03/post_176.
[8] For an incisive view on Russia's reaction to this Chinese scheme, see Gabuev, Alexander. "Post-Soviet States Jostle for Role in One Belt One Road Initiative." Carnegie Moscow Center. August 6, 2015. http://carnegie.ru/2015/08/06/post-soviet-states-jostle-for-role-in-one-belt-one-road-initiative/iel1.

alarmed Russian military specialists so seriously that the Russian government conducted large-scale military exercises in the Sea of Okhotsk in 2011 and 2012 in order to signal Moscow's displeasure to China.[9] It is no surprise that these factors encourage Russia to seek improved relations with such countries as India and Japan as a potential counterweight vis-à-vis China. Russia's willingness to hold a "two plus two" meeting with Japan should be understood in this context.[10] This is the reasoning that fuels optimism about security driving closer relations.

It is important to note, however, that the ways in which the rise of China influence Russia and Japan somewhat diverge. Precisely because of the long land border it shares with China, Russia needs to avoid antagonizing China. This necessity intensifies significantly as Russia's relations with the West deteriorate. Also, precisely because of the shared land border, Russia is in a position to gain enormous economic benefits from China's ever-increasing demand for energy. At a time when the Western European markets face increasing uncertainty due to the ongoing crisis in Ukraine, Russia cannot lose the Chinese market. (Japan, in this regard, still remains a potential market for Russia.) Simply put, Russia has much more to lose or gain from relations with China than Japan does.

In addition, the fact that China's maritime activities worry Russia enhances the strategic value of the disputed Northern Territories islands, Kunashiri and Etorofu Islands in particular.[11] This poses a problem for Japan in its pursuit of a negotiated settlement of the territorial dispute, as this makes it more difficult to win territorial concessions on these islands.

These differences between Russia and Japan lead to different expectations for each other in East Asia. From Japan's viewpoint, Russia can be a potentially effective counterweight to China. Although the Abe administration (or any Japanese government, for that matter) does not expect to create a coalition with Russia to contain China, it does seem to expect strategic benefits from improved relations with Russia. For Russia, closer relations with Japan would improve its strategic position vis-à-vis China and bring economic and political benefits otherwise difficult to obtain. However, it probably does not intend to worsen its relations with China by collaborating with Japan, unless China becomes aggressive in its approach toward Russia. This means that it is unlikely that Russia

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[9] Hyodo, Shinji. "Dainiji Putin Seiken no Gaikō, Anzen hosho Seisaku: Chūgoku to Hokkyokukai Mondai o Chūshin ni" [The Diplomacy and Security Guarantee Policies of the Second Putin Administration, Focusing on China and the Arctic] in Japan Institute for International Affairs, *Roshia no Seiji Sisutemu no Henyo to Gaiko Seisaku e no Eikyo*. 85–86, 2013, http://www2.jiia.or.jp/pdf/resarch/H24_Russia/8_hyoudou.pdf.

[10] The first Russia-Japan "two plus two" meeting was held in 2013, but further meetings have been postponed, after the Ukrainian crisis.

[11] Hyodo. "Dainiji Putin Seiken." 86.

will overtly support Japan's positions when China and Japan are in conflict.[12] It is more likely that Russia's closer relations will serve as Russia's effective bargaining chip to win some compromises from China.

The United States Factor

If the China factor induces Russia and Japan to get closer, the United States factor has been traditionally constraining Russia-Japan relations. During the Cold War, the United States was wary whenever Japan showed signs of seeking a rapprochement with the Soviet Union. During the mid-1950s, for instance, the U.S. government demanded that Japan not deviate, even slightly, from the U.S. interpretation of the San Francisco Peace Treaty, making it difficult for Tokyo to normalize relations with Moscow. Tokyo was not able to oppose how Washington wanted Tokyo to conduct policy toward the Soviet Union. This factor remains valid even today; since the U.S.-Japan alliance is the cornerstone of Japan's security strategy, it needs to avoid diverging excessively from U.S. positions on various issues.

However, it is important to note that, while the traditional U.S. position on Japan-Russia relations leads many in Japan to believe that Washington is, in principle, opposed to the resolution of the Northern Territories dispute and the resulting better relations between Moscow and Tokyo, this is not necessarily the case. After the end of the Cold War, the strategic rationale for Washington to block Japan's overtures toward Russia disappeared. When the U.S. government under President Bill Clinton was seeking to solidify the new Russia as a market-oriented, democratic state, it even pressured Japan to extend economic assistance toward Russia, without clinging to the Northern Territories dispute.[13] This reveals that the U.S. position on Japan-Russia relations is determined by the nature of U.S. relations with Russia and U.S. thinking about the degree of danger Moscow is posing to the international community.

In this sense, Abe probably felt optimistic that the U.S. factor would not hinder his initiative toward Russia when the Obama administration was pursuing its "reset" policy toward Russia.[14] Indeed, U.S.-Russia relations improved (albeit modestly) during the period when Obama and President Dmitry Medvedev established a working relationship. The United States would not have opposed (or might have even supported) Japan, if Japan had seriously attempted to resolve the Northern Territories issues, including rewarding Russia

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[12] Akihiro Iwashita points out the tendency among some of Japan's security experts to exaggerate the differences between Russia and China. Akihiro Iwashita, *Hoppō Ryōdo, Takeshima, Senkaku, Kore ga Kaiketsusaku* (Tokyo: *Asahi Shimbun Shuppan*, 2013). 230–231.

[13] Miyashita, Akitoshi. "*Gaiatsu* and Japan's Foreign Aid: Rethinking the Reactive-Proactive Debate." *International Studies Quarterly* 43, No. 4 (December 1999), 695–731.

[14] Angela Stent calls Obama's policy the "fourth" reset policy by the United States since the George H. W. Bush administration. Stent, Angela E., *The Limits of Partnership: U.S.-Russia Relations in the Twenty-First Century* (Princeton: Princeton University Press, 2014).

in a manner deemed to be at odds with U.S. strategic objectives during the period. Yet Abe returned as prime minister only in the fall of 2012, by which time Putin's return to power and more assertive foreign policy had clouded U.S.-Russia relations. (The Japanese leaders before him had been too weak, domestically, to seek a compromise solution for the territorial dispute, and he had been in office earlier for too short a time.) This timing was not fortuitous; Abe regarded Putin as an ideal Russian counterpart, who was politically strong enough in Russia to be able to swallow a compromise solution, or in his own words, "hikiwake."[15] Putin's policy decisions caused the deterioration of U.S.-Russia relations, complicating Abe's pursuit of him.

The U.S. factor influences Japan's policy toward Russia indirectly, as well; the difference between Moscow and Tokyo with regard to China is magnified when U.S.-Russia relations worsen. For Russia, the United States is the most serious obstacle to its attempt to regain influence beyond its current borders. When U.S.-Russian relations are tense, therefore, China serves as a useful partner with which Russia can defend its interests against the United States, regardless of whether their partnership is genuine or just a marriage of convenience.[16] The result is that it becomes difficult for Japan to wean Russia away from China when the United States takes a tough attitude toward Russia.

The Ukraine Factor

The prospect of success for Abe's Russia policy diminished when the Ukrainian crisis began in February 2014. After the pro-Russian government in Kiev collapsed in the midst of popular protests, Putin quickly responded and annexed Crimea in clear violation of Ukraine's sovereignty and international law. As the crisis escalated, relations between Moscow and Washington plummeted. Accordingly, the United States and Europeans imposed graduated sanctions against Russia. Japan, as a self-claimed global ally of the United States and a major player in the West, reluctantly joined the sanctions. Furthermore, the Abe administration had no choice but to shelve its invitation for Putin to visit Tokyo. Despite the relatively mild impact of Japan's sanctions, Russia reacted adamantly, blaming the Japanese government for not acting independently of—and for taking sides with—the United States. Russian officials have become increasingly uncompromising on the territorial

[15] In Japan's policy circles, not a small number of experts believe that Putin is serious about improving relations with Japan, and this perception is not groundless. During Putin's first term, he and Prime Minister Yoshiro Mori were in serious negotiations to resolve the territorial dispute. Since Putin came back to power in 2012, he has emphasized Russia's "pivot to Asia" and has occasionally expressed his continued willingness to improve relations with Japan. In addition, Japanese media widely reported Putin's use of the term "hikiwake," interpreting it as a sign that Putin might be willing to go beyond the so-called "two islands plus alpha" solution. In this author's view, it is difficult to believe that this is Putin's intention.

[16] Lo, Bobo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (Washington, DC: Brookings Institution Press, 2008).

issue, and Russia has begun to partner with China more seriously than ever to counter the West.[17]

The U.S. factor is not the only cause of Japan's joining the sanctions against Russia. It is difficult for Japan to treat Russia's actions in Ukraine as a fire on a distant shore, when Japan is trying to garner support from the international community—from Europeans in particular—to oppose China's behavior in the South China Sea. Since Ukraine for Japan is quite similar to the South China Sea for Europe, Japan's unilateral accommodation toward Russia could give European capitals a perfect justification for accommodating China in pursuit of economic benefits.

Even in this difficult situation, the Abe administration is still pursuing a diplomatic breakthrough with Russia, as Abe is reportedly planning to "unofficially" visit Russia and meet Putin outside Moscow.[18] As long as Ukraine poisons relations between Russia and the West—the United States, in particular—the difficulties confronting the Abe administration will persist.

Conclusion

What do the aforementioned security calculations by Tokyo and Russia imply for Japan's Russia policy and beyond? First, the increasingly overlapping security interests of Japan and Russia widen the window of opportunity for improving their bilateral relations and possibly resolving the Northern Territories dispute. From Japan's perspective, there is no inherent reason why it should not pursue the opportunity, assuming Russia is willing to deal with the territorial issue in a way that is mutually satisfactory. After all, seventy years have passed since the end of World War II, and it is almost sixty years since Russia and Japan normalized diplomatic relations, while putting the territorial question on a back burner. Many of the former residents who lived on the four disputed islands are passing, and even those who are still alive have only been allowed to visit the islands on rare and limited occasions involving non-visa, people-to-people exchanges; even those visits were suspended in May 2015, because the legal status of the islands is "undetermined," according to the Japanese government. The former residents and their children may simply want the freedom to visit the islands, and may have less interest in the total return of the four islands, than previously.[19] The Northern Territories are also a historical legacy of World War II,

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[17] Komaki, Akiyoshi, "Hoppō Ryōdo Mondai Jōhoshinai Shisei Senmei: Roshia Gaimusho [Russia's Foreign Ministry Intends not to Compromise on Northern Territories Issue], *Asahi Shimbun*, September 19, 2015, http://digital.asahi.com/articles/ASH9M4FT0H9MUHBI00Z.html.; Gabuev, "Post-Soviet States Jostle for Role in One Belt One Road Initiative."

[18] Funakoshi, Takashi, "Shushō Haru nimo Roshia Hikōshiki Hōmon e: Pūchin-shi to Denwa Kyōgi" [Prime Minister Looking toward Unofficial Meeting with Russia in Spring: Telephone Conference with Mr. Putin], *Asahi Shimbun*, January 22, 2016, http://digital.asahi.com/articles/ASJ1Q6CR8J1QUTFK01F.html.

[19] Iwashita, *Hoppō Ryōdo, Takeshima, Senkaku*, 83–84, 99–101. Iwashita's conclusion is based on a survey of former residents of the disputed islands and their descendants, conducted in conjunction with *Hokkaido Shimbun*.

and Russia is one of only two remaining states (the other being North Korea) with which Japan has yet to have a peace treaty. Now that these humanitarian and historical reasons for improving Russian-Japanese relations are reinforced by security calculations, as explained above, the Japanese government is likely to pursue the settlement of this issue, no matter who may be prime minister.

At the same time, however, the Japanese government should be realistic about how far Russian-Japanese security cooperation may alleviate the challenge of a rising China. While there are more areas of possible cooperation between Moscow and Tokyo than in the past, Russia will be reluctant to antagonize China by moving close to Japan. Japan also needs to recognize that Russia is unlikely to "come all the way" to satisfy Japan's position on the territorial dispute, in particular on Kunashiri and Etorofu Islands.[20] Based on this author's historical analysis of the Soviet-Japanese diplomatic normalization negotiations in the mid-1950s and the added strategic value of Kunashiri and Etorofu, due to China's increasing maritime activities in the north, it is difficult to predict that Russia will agree to conclude a peace treaty, unless Japan agrees to accept, in some form, the sovereignty of the two islands.[21] This, then, requires the Abe administration to prepare the Japanese public for a territorial compromise that Japan will ultimately need to make.[22] Furthermore, the Ukraine crisis has made it extremely difficult for the Abe administration to achieve a diplomatic breakthrough with Russia without hurting its relations with the United States and European states.

In addition, there is a strong need for U.S.-Japan policy coordination in their respective approaches toward Russia. This coordination cannot be one-way; it must be a two-way street, and more than just the two allies keeping each other informed of their Russia policies. Ideally, a starting point of such coordination should be a joint assessment of the nature of Russian-Chinese relations. In this author's view, it would be extremely difficult for Tokyo to conclude a peace treaty while Russia's relations with the West remain as they are. Nonetheless, Tokyo and Washington, at least, can agree that it is desirable to avoid

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[20] In this regard, some recent initiatives by the Abe administration, such as the Kishida-Lavrov and Abe-Putin meetings in September 2015, are puzzling even in the eyes of those who advocate the "two plus alpha" solution. These meetings were held while Russia intervened militarily in Syria and while its officials were beginning to express the view that the territorial question was already resolved. Komaki, Akiyoshi, "Nichiro Gaisho Kaidan: Honto ni Yarubeki Dattanoka?" *Asahi Shimbun*, October 13, 2015. The fact that the meetings were held may indicate that the Abe administration is expecting too much from Russia, either in terms of Russian security cooperation toward Japan vis-à-vis China, or the territorial compromise that Russia is prepared to accept.

[21] Izumikawa, Yasuhiro, "Nisso Kokko Kaifuku Kosho o Meguru Nihon no Jishu Gaiko Mosaku to America no Tainichi Senryaku," *Kokusai Seiji*, No. 144 (February 2006), 130–145. For an updated version of this analysis, see Izumikawa, Yasuhiro, "Japan's Multiple Quests for Independent Foreign Policy and the Soviet-Japanese Diplomatic Normalization, 1955–1956," presented at the 60th Anniversary Symposium, Slavic-Eurasian Research Center, Hokkaido University, December 10–11, 2015.

[22] Abe has been trying to do this by deemphasizing the territorial issue and emphasizing the "abnormality of the absence of a Russian-Japanese peace treaty after seventy years of WWII" in his public speeches. However, more needs to be done. This is a difficult political act, but it has become less difficult because the Japanese government can point to the territorial problems in the south and argue that it is imperative to settle the problem in the north.

coercing Russia into overly dependent relations with China; they need to assess the nature of Russian-Chinese relations carefully and then build upon their respective approaches in a way that does not undermine each other's policy objectives.

What may be the regional repercussions of Russian-Japanese bilateral relations and the implications for regional security? For Japan, the U.S.-centered alliance system in East Asia is the centerpiece of its security policy. This fact will not change, even if Japan succeeds in dramatically improving relations with Russia. Russia, for its part, will attempt to use improved relations with Japan in order to enhance its status and exert its influence in the Asia-Pacific region. If Russia tries to undermine the U.S.-centered alliance system, which it may regard as an obstacle to becoming a more important player in the region, this would cause a problem for Japan. However, Russia may not do so, because it may find some utility in the U.S.-centered alliance system as an effective safeguard against China's increasing maritime activities. In fact, before the Ukrainian crisis, there were signs that Russia wanted to expand Russian-Japanese maritime security cooperation into a Russian-Japanese-U.S. trilateral cooperation.[23] Considering this, it may be possible to include Russia in a future regional security dialogue that stands alongside the U.S.-centered alliance system in the Pacific. However, such a scenario would remain only hypothetical as long as Russo-American relations are strained, due to the crises in Ukraine and Syria.

[23] Hyodo, "Dainiji Putin Seiken," 87–88.

Chapter 7

Implications of Russia-Japan Relations for the Region

Georgy Toloraya

The Russian-Japanese nexus, so far, has been of minor importance for the Northeast Asian regional security architecture and the possible creation of regional cooperation mechanisms. Strained relations between the two because of the Northern Territories problem (this chapter does not discuss it, but I cannot avoid mentioning the negative impact of the territorial issue) precluded the sides from discussing, let alone cooperating on, regional issues (apart, to a degree, from the North Korean problem). Russian policymakers still do not see Japan as an independent regional actor, as Tokyo's policies usually mirror U.S. policies in the region, and they doubt that substantial agreements on regional issues could be reached without U.S. consent. Also, the growing anti-Chinese mood in Japanese policies makes Russia cautious, as it would not dare have separate dealings with the opponent of its chief strategic partner. So, 160 years after signing their first treaty, 90 years after reestablishing diplomatic relations after one conflict, and 60 years after reestablishing relations following another conflict, Russia and Japan remain just neighbors, caring little about the "common good" and with limited capacity for working together on resolving regional issues. However, the situation might be changing, due to the growing assertiveness of Japanese foreign and military policy. Japanese Prime Minister Shinzo Abe seems to be eager to find a way to diversify his foreign policy and improve relations with his giant northern neighbor. That stance is in sync with Russian President Vladimir Putin's "turn to the East" strategy.

Would this Russian "pivot to Asia" be successful without improving relations with Japan? This question is especially important due to Russia's growing dependence on China, which, in fact, now monopolizes Russia's Asian agenda. Could relations be improved without resolving the territorial issue? Could Putin's undoubted "national hero" reputation for reviving Russia's geopolitical status and strongly defending Russia's national interest put him in a position to meet his Japanese counterpart halfway, without internal policy repercussions and without being labeled a "national traitor"? Could Japanese leaders be bold enough for an historic compromise, which would enormously strengthen Japan's positions in the region (including in relations with its other neighbors) and make a Russia-Japan

connection an important factor of regional multilateral policies? These questions are key in determining whether Japan and Russia can enhance their roles in regional affairs by cooperating with each other.

Russia's Current Asian Strategy

In Soviet times, the severe conflict between Moscow and Beijing limited Moscow's influence in Asia. At the same time, Moscow's relations with Southeast Asian nations were subject to ups and downs and remained centered on supporting "national liberation struggles" and countering the United States. Relations with Japan were always strained, and with South Korea nonexistent. Soviet initiatives on the regional security system were largely impractical due to deep Cold War divisions within the region. This heritage of a secondary role for Asia—dating back even to pre-revolutionary times—lingers, as the Russian political (as well as educated) class is predominantly Eurocentric. After the breakup of the Soviet Union, the policy of the "new Russia" was centered on the United States and Western Europe, while relations with Asia were neglected (with the exception of China, which, at the time, was not the economic and political giant it is today).

The assertion that the current "turn to the East" is just a temporary shift prompted by the deterioration of relations with the West, triggered by the Ukrainian crisis, is not well based. Even in the 1990s, scholarly discourse on the need for "equality between the two heads of the Russian eagle" became quite pronounced. The initial impulse was driven by "Orientalists" (specialists on Asia), who have always been much less numerous and influential than "Occidentalists" (specialists on the West, concentrated in Soviet think tanks, such as the Institute of World Economy and International Relations and the Moscow State Institute of International Relations, as well as in the Institute of the United States and Canada). The latter saw the importance of Asia mostly in terms of its growing economic potential, calling it "a new gate to the industrially-developed world, opening new markets of weapons, raw materials, and industrial goods for Russia."[1]

In 2010, a group of Russian experts, headed by political scientist Vyacheslav Nikonov, suggested the idea of "Russia as a Europacific power,"[2] and, soon thereafter, the Russian president officially supported the concept of advancing Russia's integration into Asia and the Pacific.[3] The 2012 Asia-Pacific Economic Cooperation summit was meant to be a

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[1] Gadjiev, K.S., *Vvedenie v Politicheskuiu Cauku* [Introduction to Political Science], (Moscow: Logos, 2000), http://www.alleng.ru/d/polit/pol017.htm.

[2] "Russia as a Euro-Pacific Power: New Trends in Asian Regional Architecture and Russia's Role: Proceedings of the International Conference of the Russian National Committee of the Council for Security Cooperation in the Asia–Pacific (CSCAP)," Moscow, MGIMO, December 9, 2010 (Moscow: Moscow University Press, 2011), http://www.spa.msu.ru/uploads/files/books/evro_pasif.pdf.

[3] President of Russia. "Stenograficheskii Otchet o Soveshchanii po Sotsial'no-ekonomicheskomu Razvitiiu Dal'nego Vostoka i Sotrudnichestvu so Stranami Aziatsko-Tikhookeanskogo Regiona" [Meeting on social and economic

watershed event on this path—although its impact on Russia's policy was weaker than expected.[4] In 2014, Putin stressed that this policy was "not in response to sanctions, but is a policy that we have been following for a good many years now… Why should we not make use of our competitive advantages in this area? It would be extremely shortsighted not to do so."[5]

The current rebalancing of Russia's foreign policy with a greater accent on relations with China and other non-Western powers has become the biggest shift in Russia's global strategy since the collapse of the Soviet Union. Different from previous attempts, it is based (or at least is declared to be based) on a program of social and economic development of the Russian Far East to improve its position in the regional division of labor. So far, this strategy has only been partially successful. Economic crisis in Russia prevents it from actively pursuing economic goals in Asia. The crisis, in turn, reinforces the lack of experience in Asian affairs on the part of Russian politicians, bureaucrats, and businessmen. Despite some success stories, Russia's economic presence in Asia has not markedly increased, and its political presence has grown only marginally. Russia's resources in Asia and the Pacific pale before those of the United States, especially in economics, where the recent Trans-Pacific Partnership agreement signals a new reality of U.S. economic dominance there.

Where does Japan stand? In the absence of political normalization, the importance of Japan for Russia is in economics, which remains the main motive for the "pivot" to a region considered the "engine of the global economy." China has become Russia's number one economic partner. However, Japan is lagging behind, as is its place in Russian foreign policy priorities (in 2015, bilateral trade was estimated to have contracted by almost 40 percent, much more than with China).[6] On the brighter side, that means Japan has a strong card to increase its importance for Russia, when relations warm up.

Can Russia and Japan Join Hands in a New Security Architecture?

In 2012–2013, the conflicting concepts of security architecture, brewing within Association of Southeast Asian Nations Plus discussions, prompted the Russian foreign ministry to suggest its own concept—first in the form of the 2010 Russian-Chinese Initiative on Security in the Asia-Pacific Region and, later, as the goal of proposed negotiations toward a

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development of the Far East and cooperation with Pacific Rim countries]. July 2, 2010. http://kremlin.ru/events/president/transcripts/8234.

[4] Tikhvin Freight Car Building Plant. "Russian Press Review: APEC Summit - Success for Russia." September 10, 2012. http://www.tvsz.ru/en/press_center/company_in_the_media/1142.html.

[5] President of Russia. "Meeting Of the Valdai International Discussion Club." October 24, 2014. http://en.kremlin.ru/events/president/news/46860.

[6] Sputnik News, "Russia-Japan trade volume falls by 30 percent," January 13, 2016, http://sputniknews.com/business/20160113/1033058852/russia-japan-trade.html.

comprehensive pan-Asian treaty on security.[7] This suggestion received approval at the 2013 East Asia Summit. In 2014, Russia proposed an action plan, which was based on well-recognized principles, such as respect for fundamental freedoms and human rights, non-interference in internal affairs, settlement of disagreements and disputes by peaceful means, denunciation of actions aimed at overthrowing governments or undermining stability, the defensive character of national militaries, and establishment of a common, integrated security community in Asia. The action plan lays down the basis for a roadmap for reaching concrete agreements and development cooperation in the following areas: confidence-building, conflict resolution, arms control and non-proliferation, terrorism and trans-national organized crime, food security, energy security, environmental security, disaster management, and the stability of the regional financial system.

Can Japan become a partner to Russia in any of these areas? It is true that ASEAN has reason to doubt the seriousness of the Russian approach, as Russia's leader has yet to participate in an East Asia Summit meeting. Also, given the increased conflict between Russia and the West, these suggestions met a lukewarm response from regional countries, not least because they contradict the U.S. "hub and spokes" doctrine, anchoring its "Asia pivot" in a rigid alliance system with its allies. Speaking in terms of geopolitics, there might be a fundamental division between "continental versus maritime" powers. China and Russia's approach of a more democratic international relations system in this area is at growing odds with the rigid structural approach that is the cornerstone of U.S. policy in Asia. So where could Japan stand? Both sides are, in their own way, "outsiders" in Southeast Asia: Russia because of its inadequate involvement and different ethnic identity, Japan because of its past. Thus, the two countries could do more to have a meaningful discussion on the above-mentioned issues.

Regional Irritants and Russia-Japan Cooperation

A pivot to broader Asia, where the Soviet/Russian position was never strong, should be based on a positive reaction to Russian advances in neighboring Northeast Asia. However, this area, closest to Russian borders and home to the three most important economies of Asia, is beset by numerous territorial and other conflicts. As a result, the region "has accumulated considerable potential for conflict. Political rivalry and struggles over spheres of influence are on the rise. There is obvious tension in the finance sector. Armed forces are being built up. The region is home to six of the ten largest armed forces in the world (China, the United States, North Korea, Russia, Japan, and South Korea) and three of

[7] ASEAN plus three (China, Japan and South Korea), six (Australia, India, New Zealand, China, Japan, and South Korea), or eight (the United States, Russia, Australia, India, New Zealand, China, Japan, and South Korea), depending on the entity selected.

those countries (the United States, Russia, and China) already possess nuclear weapons while North Korea is developing nuclear weapons."[8] So far, the role of Russia-Japan cooperation in addressing Northeast Asian issues has been inadequate. Numerous meetings and dialogue show that the sides are speaking different languages, not only literally but also figuratively (with the territorial issue predictably precluding any sincere discussions). Can the situation be changed?

Japan is currently overcoming its sense of historic guilt as a "national idea" (because of its role in World War II), is frightened by China's rise, and wants to play a more independent role in the region. And its corresponding defense build-up potentially signals the beginning of a major shift in Asia and Pacific security (even a possible change from the U.S.-led "hub and spokes" to a multipolar system). Russia watches Japan's efforts with anxiety, even if it understands that it is China to whom these undertakings are addressed. However, these efforts also create possibilities for a new type of cooperation on pressing issues.

Possibility 1: Historical Disputes

Russia is trying to distance itself from the heated regional debates on the explosive issues of history, although its principled stand on the "inadmissibility of history falsification" (very topical in European discourse on World War II) should logically bring it to support China and other East Asian countries in the discourse on Japan's role in the war. That might have brought Russia easy popularity among many Asian people, who had suffered from Japanese occupation. However, even in the wake of Putin's participation in the Beijing military parade on September 3, largely perceived as "anti-Japanese" in Tokyo, there were no inflammatory remarks, as was noted by Russian commentators. Russia also abstains from exploiting this theme in bilateral contacts, although both Koreas would be happy to gain Russia's support on these topics.

Among regional conflicts, Russia is most directly involved in the Korean issue, as it bears historic responsibility for the Korean War and the division of the peninsula. Russia remains an important stakeholder in Korean unification and security issues—generally considered to hold fourth place after the United States, China, and Japan (some Russian experts argue that Russia holds third place, ahead of Japan, as Japan, in fact, abstains from using its ability to influence the situation on the Korean Peninsula). Russia is interested in solving the Korean problem in a peaceful manner, as a decrease in tensions at its doorstep and economic cooperation would benefit the security and development of the Russian Far

[8] Ivashntsov, G. A., and Beom Shik Shin. *Security and Cooperation in Northeast Asia: The Russian-South Korean Experts Joint Paper.* Edited by I. S. Ivanov. Working paper no. 25/2015. 2015, russiancouncil.ru/en/inner/?id_4=6536#top-content, accessed March 20, 2016.

East. However, the impossibility of the two competing regimes on the peninsula coming to terms is obvious, as both seem to see the annihilation of the opponent as a final solution. The way out should be evolutionary, through both bilateral and multilateral efforts, in order to create a viable security and cooperation system on the peninsula, through the multilateral political process—the Six-Party Talks—with an agenda, broadened from the North Korean nuclear issue to a regional security regime. Chairing the working group on a peace and security mechanism in Northeast Asia gave Russia a good opportunity to discuss the relevant initiatives, including South Korea's more recent Northeast Asia Peace and Cooperation Initiative. For successful Russian-Japanese cooperation, understanding regarding security is essential. So far, however, discussions on these issues have been limited.

Possibility 2: Territorial Issues and Maritime Security

Territorial conflicts in East Asia put Russia in a precarious position, as some of these conflicts involve the countries with which Russia would not like to spoil relations by supporting one side over the other. Having solved the border issue with China, Russia now is directly concerned with only its territorial argument with Japan, which is more or less frozen with no progress in sight; so, no active measures from Russia are needed. Therefore, open support of China or South Korea against Japan would only spoil bilateral relations with Japan, without dividends.

Moscow also tries to avoid any clear-cut position on the South China Sea conflict, which does not directly affect its interests ("freedom of navigation" is seen just as a U.S. pretext to pressure China). Supporting China would also alienate Moscow from many ASEAN countries. The conflict between two of Russia's "strategic partners"—China and Vietnam—is especially distressing, as it undermines Russia's influence in Vietnam and affects its economic interests (Russia's oil rigs cannot operate in disputed waters, for example). As commentators put it, Russia's policy towards the South China Sea "is non-existent," as the Foreign Ministry usually limits itself to a standard set of neutral statements, calling for peaceful resolution of disputes and self-restraint; abiding by international law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS); following the Declaration on Conduct of Parties (DOC); and reaching an early conclusion of a binding Code of Conduct (COC).There is little room for effective Russian-Japanese cooperation here.

Possibility 3: WMD Proliferation (and Missile Defense Systems)

The official Russian position is that a nuclear North Korea is unacceptable; however, Russia well understands the reasons for North Korea to create its "nuclear deterrent" and, in fact, sees little prospects for North Korean "denuclearization" unless regional security conditions

fundamentally change (which is unlikely). In fact, in the absence of a diplomatic process (for which the United States and South Korea are mostly responsible) the situation is bound to keep deteriorating.

Russian experts also believe that, in practical terms, the "North Korean nuclear problem" allows the United States to keep a strong political and military grip on South Korea, serving U.S. global interests (an example is the inclusion of South Korea in the deployment of the U.S. anti-ballistic missile system, the Terminal High Altitude Area Defense, or THAAD, aimed against China and Russia).[9] At the same time, the Korean problem serves as a thorn in the side of China, which is also a benefit for Washington in containing Beijing's rising ambitions. Even North Korea's preservation of some missile and nuclear potential could, under such logic, be acceptable to U.S. strategists, unless North Korea crosses a "red line"; a game-changer might be acquiring a nuclear-armed, intercontinental ballistic missile able to reach U.S. territory, which might force the United States to undertake some active measures.

Russia sees the Six-Party Talks as the most relevant method to hedge the risks—to prevent North Korea from developing its missile and nuclear programs further and to decrease tensions on the Korean Peninsula (ten years of negotiations are better than one day of war). However, the possibilities of soliciting Japanese support for this purpose have not been explored at all. This may be explained by Russia's frustration that Japan has no positive agenda for the Six-Party Talks and follows the U.S. lead, while using the forum for solving short-term bilateral issues. More Russian-Japanese discussion, especially on the concept of the final outcome of the talks, is needed.

Possibility 4: New Non-traditional Challenges and "Soft Issues"

Russia agrees with the need for broader regional cooperation on such issues as disaster management, terrorism, organized crime and drug trafficking, health, cybersecurity, food and energy security, and migration. "Soft" cooperation issues could be discussed independently of "hard" security issues, and may help to create an atmosphere conducive to solving more delicate problems. Therefore, ideas like the Northeast Asia Peace and Cooperation Initiative are worth exploring, although, to be successful, such initiatives should be inclusive. However, certain suggested areas (non-proliferation of weapons of mass destruction and nuclear safety, among them), in fact, have no "regional angle," and creating a regional mechanism for their discussion seems questionable. At the same time, such issues as regional transportation and logistics are highly promising and deserve regional efforts. Russia is especially interested in multilateral projects: an energy grid connection reaching

[9] Ibid.

the Russian Far East, both Koreas, and China; an inter-Korean railroad infrastructure with connections to the Trans-Siberian Railway; and regional oil and gas pipelines, especially on the Korean Peninsula. However, Japan has so far taken only limited interest in these issues, and Russia has not made active efforts to involve it in the conversations on them.

Conclusion

To reach its policy objectives in Asia, Russia should diversify its partnerships, as its policy in Northeast Asia is now China-centered (economic and military aspects, leading to close political interdependence with Chinese dominance). This dependence, which increased in the wake of the crisis in relations with the West, in fact, did not bring the expected economic benefits and is causing growing concern, not only among the political elite but also in public opinion and the mass media. It is in Russia's national interest to add alternative economic and political partners. Japan is the obvious choice. Closer cooperation on regional issues between the two countries would raise the profiles of both.

Russia should simultaneously pursue development and security agendas in Northeast Asia. Along with bilateral cooperation, Russia should closely watch the regional economic integration processes (Asia-Pacific Economic Cooperation; free trade agreements, including the one among China, Japan, and South Korea; and even the Trans-Pacific Partnership, should the possibility arise). However, its resources are scarce, and a top-level political decision on redistributing those resources in support of Asian policy should be taken. Japan should be a priority.

It is unclear how the United States and China, as major geopolitical adversaries, would react to such Russian activity in the region. The United States sees Russia as a threat in Europe,[10] and it would be suspicious of Russia becoming more active in Asia, including developing cordial cooperation with Japan. China, seeing Asia as its exclusive zone of influence, also would not be particularly happy to see a growing, independent Russian role in Asian affairs.

Moscow needs to act creatively, reconsidering its relations with Japan in the security area in light of the new reality of Japan vying for a greater regional and global role. Japan should recognize Russian interests to gain more trust from Russia and engage in mutually beneficial projects. The regional security and multilateral economic cooperation agenda in Russia-Japan bilateral dealings are inadequate and should be given priority. Issues such as the Kuril Islands territorial question and Ukraine should not prevent progress in these areas.

[10] Joint Chiefs of Staff. "The National Military Strategy of the United States of America 2015." June 2015. http://www.jcs.mil/portals/36/documents/publications/2015_national_military_strategy.pdf.

Chapter 8

Russian Views on Security and Foreign Policy in the Asia-Pacific and Prospects for Cooperation with Japan

Vasily Kashin

The Asia-Pacific is, and in the foreseeable future will remain, the safest and least problematic part of the world as far as Russian security interests are concerned. The Russian Military Doctrine of 2014 clearly identifies NATO expansion and NATO activities close to the Russian borders as the main sources of external threat, alongside growing religious and political extremism and ethnic conflicts in the regions close to Russia. The Asia-Pacific is never mentioned directly.

In the post-Soviet countries, Russia perceives that it is engaged in a decades-long, zero-sum game against the European Union and the United States. The relations with a number of European countries are poisoned by painful historical memories and ideological differences. The Ukrainian crisis already has led to some long-term changes in Russian defense policies, including the establishment of a new military infrastructure on Russia's western borders.[1]

In Central Asia, Russia is preparing for a possible, large-scale, regional security crisis, which may be caused by the situation in Afghanistan or by the internal dynamics of the post-Soviet Central Asian states. The Russian ministry of defense sees potential for military conflict in the region in the near future; the region is experiencing significant influence from radical Islamic groups, including ISIS.[2]

In the Middle East, Russia is now positioned at the very center of a complex system of conflicts involving every major regional power and is engaged in a limited war in Syria. The downing of a Russian Air Force Su-24 bomber by the Turkish air force in November

[1] Lavrov, A. "New Russian Military Infrastructure on the Border with Ukraine," Moscow Defense Brief, no. 6, 2015.
[2] Rossiia Segodnia. "Shoigu: Terroristy SAR I Iraka Predstavliaiut Ugrozu Dlia Tsentral'noi Azii" [ISIL Terrorists and Iraq Pose a Threat to Central Asia]. December 11, 2015. http://ria.ru/world/20151211/1340159079.html.

2015 caused a major crisis in relations between Moscow and Ankara. The Russian military leadership refuses to name any time limits for the Russian military involvement in Syria, which, it is widely understood, may last for years.

Compared to these situations, the Asia-Pacific can be seen as a region relatively free from short- and medium-term security threats affecting Russia. In the 1990s and early 2000s, Russia managed to settle its old territorial disputes with China. The only territorial dispute Russia has in Asia is with Japan, and that dispute is frozen and will likely remain in this state for decades. There are no significant terrorist threats in the region directed against Russia. Russia is not participating and has no significant interests in the most serious regional disputes, such as the South China Sea dispute between Japan and China.

In spite of Russia's territorial dispute with Japan over the South Kuril Islands, Russian diplomats and academics have long maintained that "Russia does not pose a threat to Japan and Japan is not a source of any threats for Russia."[3] Such statements are routinely repeated in Russian writings about Russian-Japanese relations and in Russian policy on the Asia-Pacific. Besides, the Russian side recognizes that Russia and Japan have close positions on a majority of international issues.[4] Russian politicians clearly consider Japan to be both unable and unwilling to attempt to resolve the current dispute with Russia, by force.

The Russian military apparently considers a possible conflict with Japan a low-probability scenario. In Russia's Military Doctrine 2014, "territorial claims against the Russian Federation and its allies and intervention into their internal affairs"[5] are named among the threats. The Russian military maintains only a limited military force to protect the disputed South Kuril Islands. The islands are garrisoned by the 18th Artillery and Machine Gun Division,[6] which, in spite of this imposing historical name, is a rather small, specialized force with some 3,500 service members.[7] The process of rearmament of the 18th division was extensively advertised by the Russian media and politicians; however, similar modernization since 2008 has been happening across the Russian army, following sharp defense budget increases. There are no reasons to believe that the 18th division, in reality, has been prioritized over the other parts of the Russian military.

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[3] Diplomatic Bulletin. "Stat'ia Posla Rossii v Iaponii A. N. Panova v Gazete Asakhi" [Russian Ambassador A.N. Panov's comments to *Asahi Shimbun*]. December 2003. http://archive.mid.ru//bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/2400768222f907d7c3256e36004cc81e!OpenDocument.

[4] Russian International Affairs Council."Sovremennye Rossiisko-Iaponskie Otnosheniia i Perspektivy ikh Razvitiia No. 6" [Modern Russian-Japanese Relations and Their Development Prospects No. 6]. 2012. http://russiancouncil.ru/common/upload/RIAC_russia_japan.pdf.

[5] Kremlin."Voennaia Doktrina Rossiiskoi Federatsii" [The Military Doctrine of the Russian Federation]. Accessed March 20, 2016. http://static.kremlin.ru/media/events/files/41d527556bec8deb3530.pdf.

[6] In the Soviet and Russian military, such an archaic name refers to specialized units responsible for static defense of strategically-important areas with heavy reliance on long-term fortifications. The 18th division is the only one of this kind remaining.

[7] Khrustalev, Maxim. "Rossiia Usilit Voennoe Prisutstvie na Kuril'skikh Ostrovakh" [Russia Intends to Strengthen Its Military Presence in the Kuril Islands]. KM.RU. February 15, 2011. http://www.km.ru/news/rossiya-usilit-voennoe-prisutstvie-na-kurilakh.

The Role of Third Countries: North Korea and China

Russian-Japanese security relations are mostly defined by the relations among Moscow, Tokyo, and the third countries that pose, or may potentially pose, security challenges for Russia and/or Japan. There are two such countries in Northeast Asia: China and North Korea. Both Russia and Japan, participants in the long-stalled Six-Party Talks, are actively involved in the resolution of the nuclear issue on the Korean Peninsula, which is a significant component in their agenda of political relations. Shortly after North Korea's fourth nuclear test in January 2016, President Vladimir Putin and Prime Minister Shinzo Abe had a phone conversation, discussing the reaction of the international community to North Korean behavior.

Both countries play only a limited role in the North Korean nuclear issue, since they have very modest capabilities to act independently on this issue with any significant effect. The Russian trade volume with North Korea barely exceeds $100 million per year,[8] which means that, compared to China, Russia has little prospect of pressuring Pyongyang economically. North Korean attempts to use Russia as a counterbalance to Chinese influence failed, which resulted in North Korean Supreme Leader Kim Jong-un's decision to skip participation in Victory Day celebrations in Moscow in May 2015. The Russian approach to the North Korean issue remains to coordinate closely with the Chinese position, which limits the possibility of cooperation between Russia and Japan on Korea.

The factor of a rising China, however, plays a key role in both Russian and Japanese politics and creates a clear need for a secure and trusted channel of communication on the regional security issue. To develop this channel, it is necessary to understand that, while China is seriously affecting security and foreign policy planning in both Russia and Japan, their perceptions of the China-related security challenges are different.

China and the Security of Japan

The Japanese territorial dispute with China over the Senkaku/Diaoyu Islands flared in the 2000s, and the situation is becoming increasingly tense, with some dangerous incidents, such as a Chinese frigate locking its fire control radar on a Japanese naval Self-Defense Forces ship on January 30, 2013.[9] The Senkaku/Diaoyu Islands dispute is just part of a wider conflict between China and Japan, in which the future of the whole system of international relations in the Asia-Pacific is at stake. China's 2015 white paper on military strategy stated that, "Japan is sparing no effort to dodge the post-war mechanism,

[8] Eksportery Rossii. "Torgovyi Oborot Mezhdu Rossiei I KNDR (Severnoi Koreei) v Pervom Kvartale 2015g" [Russian trade with DPRK in Q1 2015]. June 30, 2015. http://www.rusexporter.ru/research/country/detail/2561/.
[9] BBC News. "Japan Protest over China Ship's Radar Action." February 5, 2013. http://www.bbc.com/news/world-asia-21337444.

overhauling its military and security policies. Such development has caused grave concerns among other countries in the region."[10] The new Japan-U.S. defense guidelines published the same year were criticized by the official Chinese media as "resurrecting the ghosts of Japan's militaristic past."[11]

Japanese military modernization is increasingly addressing the Chinese threat with additional investments in missile defense and underwater and anti-submarine warfare capabilities, cuts in ground troops, and relocation of military assets from the northern to southern areas of Japan.

Japan considers China to be a primary source of military threats, while remaining deeply involved in economic cooperation. Japan is worried about the clear rise of Chinese nationalism and increased use of anti-Japanese rhetoric in Chinese domestic politics. Although there is growing economic and cultural/ideological competition between China and Japan, traditional, hard security threats emanating from China play a central role in Japanese security planning. The Defense White Paper, approved by the Abe Cabinet in March 2015, is focused on China-related threats. It notes, "China, particularly over maritime issues, continues to act in an assertive manner, including coercive attempts at changing the status quo, and is poised to fulfill its unilateral demands without compromise." The Japanese assess that China "has been continuing activities seen as high-handed to alter the status quo by force and has attempted to materialize its unilateral claim without making compromises," and these Chinese actions could "trigger contingencies."[12]

Russian Views on China-Related Security Challenges

Russia does not see China as a military threat, now or in the foreseeable future. The two countries have resolved their territorial disputes and hold very close positions on most international issues. Since 1997, a set of large-scale, military force reductions and trust-building measures have been implemented along the Russian-Chinese border.[13] Their militaries have developed good cooperation and are well aware of each other's capabilities and priorities. Even in the event of a Chinese regime change and the rise of anti-Russian nationalist politicians, with Russia being one of two nuclear superpowers, it is hard to

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[10] China Daily. "China's Military Strategy." White Paper. May 26, 2015. http://www.chinadaily.com.cn/china/2015-05/26/content_20820628.htm.

[11] Xinhua. "China Voice: U.S. Reanimates the Ghosts of Japan's Ugly Past." April 30, 2015. http://news.xinhuanet.com/english/2015-04/30/c_134200576.htm.

[12] Gady, Franz-Stefan. "Surprise: Japan Sees China as Its Main National Security Threat." *The Diplomat*. July 21, 2015. http://thediplomat.com/2015/07/surprise-japan-sees-china-as-its-main-national-security-threat/.

[13] 1997 force reduction agreement among Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and China puts limits on the forces present within a 100 kilometer strip on each side of the border and establishes an inspection mechanism. Ministry of Defense of Russia. "Soglashenie s Kitaiskoi Narodnoi Respublikoi 1997 G. (Moskovskoe)" [Agreement with the People's Republic of China 1997 (Moscow)]. Accessed March 20, 2016. http://stat.doc.mil.ru/documents/quick_search/more.htm?id=10947127@egNPA.

imagine that China would take the huge risk of military confrontation with Moscow.

In such a confrontation, China could hardly gain any significant benefits, even under the best-case scenario. The main Russian oil and gas fields are located in Western Siberia, thousands of kilometers from the Chinese border; their development, in fact, represents the main challenge to the Russian "turn to the East" policy, because they require huge infrastructure investments. Any attempt by China to undermine Russian sovereignty in the adjacent regions of the Russian Far East, even in case of maximum success, would result in taking an under-populated territory with a harsh climate and few useful resources. That goal would be achieved only at the cost of tremendous damage to Chinese energy security policy and at the risk of nuclear war.

The current Chinese government policy is comprehensive economic and political engagement with Russia. The Chinese strictly avoid any steps that could arouse Russian suspicions or anger. China considers strong relations with Russia a necessity for its national security and long-term economic development. Russia acts as China's key partner and, in some cases, protector in the international arena, voicing common positions on key international issues. Although military technical cooperation with Russia has, from the 1990s through the early 2000s, lost its role as the main pillar of bilateral relations, it is still important for the modernization of China's People's Liberation Army (PLA).

Russia is emerging as an important factor in Chinese energy security, helping to decrease Beijing's dependence on oil imports from an unstable Middle East and vulnerable sea lines of communication, especially on the Malacca straits. In 2015, Russia, at least temporarily, overtook Saudi Arabia and became the biggest oil supplier to China.[14] In the future, with additional pipeline projects being implemented, Russia's role in Chinese energy security can be expected to grow. The governments of the two countries are aiming for greater economic interdependence and closer cultural contacts, which will make any future conflicts less likely.

Russia is also boosting military cooperation with China. Since 2005, Russia and China have held at least one large-scale, joint ground forces exercise (Peace Mission), per year. Since 2012, there have also been yearly naval exercises, which are called Maritime Cooperation. Joint Russian-Chinese exercises are increasingly sophisticated and serve to increase practical interoperability of the two militaries for possible joint action during a local conflict.

The transitional nature of the political systems of both China and Russia makes it hard to forecast their long-term relations. The two lack strategic trust and are undertaking security measures to hedge against a low probability, high risk scenario of political and

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[14] Raval, Anjli. "Russia Takes over as Top Oil Supplier to China." *Financial Times*. June 23, 2015. http://www.ft.com/intl/cms/s/0/9eda3756-19bc-11e5-8201-cbdb03d71480.html#axzz3dm4dy0DV.

military confrontation. Clear evidence of existing Russian planning for a possible crisis in relations with China are regular, large-scale exercises of the Eastern military district (Joint Strategic Command East) and the continuing deployment of Russia's most modern weapons systems to the Russian Far East, including new generation nuclear submarines, tactical nuclear weapons delivery systems (such as SS-26 Stone), and 4++ generation fighters. The growing number and technological sophistication of the Chinese intermediate range missiles is a possible reason for the continuing Russian investment in sea-based nuclear deterrent forces, instead of diverting the resources towards an intercontinental ballistic missile force that is more effective for deterring the United States. For Russia, as well as for the current Chinese leadership, a possible military encounter between the two is a low probability scenario, as remote as a possible military encounter between Russia and Japan. At the same time, such a possibility cannot be ignored and the necessary precautions are being taken.

The Soft Security Issues for the Russian Far East

The supposed main, non-military threat to the Russian Far East, Chinese demographic expansion, which was widely discussed in the 1990s and early 2000s, turned out to be a myth. To this day, there is no evidence that the Chinese government ever considered any policy of demographic expansion to Siberia and the Russian Far East; when illegal migration existed at any noticeable level at all, the Chinese government readily cooperated with Russia to deal with it. In addition, expansion towards Siberia and the Russian Far East makes no sense based on China's economic and security interests.

Due to the harsh climate and difficult landscape, only a limited area of the Russian Far East close to the Chinese border is favorable for settlement and agriculture, at least at the current level of technology and under the current climatic conditions. Even the Chinese regions closest to the eastern part of the two countries' border, Heilongjiang province and the Inner Mongolia Autonomous Region, are under populated by Chinese standards, although their natural conditions and climate are better than the conditions of the Russian territories to the north. The Chinese do not appear to consider Russia a likely destination for emigration.

The maximum number of Chinese in Russia, including illegal immigrants, likely never exceeded five hundred thousand.[15] In 2008, the last time such a poll was published, some 20 percent of Chinese said that they were interested in Russian citizenship; however, the number of Chinese migrants interested in citizenship was highest in

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[15] Larin, A.G. "Skol'ko v Rossii Kitaiskikh Migrantov?" [How Many Chinese Migrants Does Russia Have?]. *Demoscope*. September 29, 2008. http://www.demoscope.ru/weekly/2008/0347/tema01.php.

Moscow and relatively low in the much poorer Russian Far East.[16]

Since the Chinese workforce (fifteen to fifty-nine years old) started to shrink in the early 2010s,[17] and local labor shortages started to affect wages, Chinese interest in migrating to Russia also appears to have weakened. Economic development of the Russian Far East currently relies heavily on Central Asian migrants, who have largely replaced Chinese workers in the local labor market.[18] After the sharp devaluation of the Russian ruble against the main global currencies (including the renminbi), the average Chinese wage (56,339 renminbi per year in 2014), in nominal dollar terms, appears to be higher than the Russian wage (359,520 rubles per year), which eliminates the economic rationale for significant emigration.

What Are the Genuine Russian Concerns about China?

While Russia and China are widening their economic and defense cooperation and increasingly working together on global issues—such as reform of international financial institutions, the Iran nuclear problem, and Syria—Russian policy in the Asia-Pacific remains pointedly detached from Chinese interests. Russia is intentionally keeping a low profile on the most divisive regional issues, such as the South China Sea disputes. Even more, Russia remains the key provider of modern weapons systems to one of the China's opponents in the South China Sea, Vietnam, and to a potential major rival, India. The sale of six Project 636 conventional submarines to Vietnam has been implemented in spite of clearly voiced Chinese dissatisfaction. Vietnam was also provided with coastal supersonic anti-ship missiles, S-300PMU2 long-range surface-to-air systems, missile boats, and Su-30MK2 heavy fighters. In 2012, the Russian energy company Gazprom took part in an oil-drilling project in a disputed area of the South China Sea under Vietnamese control, in spite of Chinese objections.

India continues to be a privileged customer of Russian military technology and enjoys access to technologies that are still denied to China. These include Su-30MKI 4++ generation heavy fighter license production, the BrahMos supersonic cruise missile co-production project, and Russian help in development of the Indian nuclear submarine fleet (including lease of a Project 971 nuclear attack submarine). Such policies were only possible because Russia managed to maintain freedom of action in East Asia, while strengthening strategic cooperation with China.

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16 ———. "Zhizn' v Rossii Glazami Kitaiskikh Migrantov" [Life in Russia through the Eyes of Chinese Migrants]. *Demoscope*. September 29, 2008. http://www.demoscope.ru/weekly/2008/0347/tema01.php.

17 Chang, Gordon G. "Shrinking China: A Demographic Crisis." *World Affairs Journal*. May/June 2015. http://www.worldaffairsjournal.org/article/shrinking-china-demographic-crisis.

18 "Russia: Central Asian Migrants Find Better Opportunities for Employment in the Far East." EurasiaNet. Accessed March 20, 2016. www.russian.eurasianet.org/node/60235.

At this stage, the main challenge for Russia is to maintain an independent foreign policy and diverse economic relations in the Asia-Pacific, while deepening its strategic partnership with China. The main task for Russia is balanced integration into the regional economy, without becoming too attached to Beijing. Achieving this goal will not be easy. The Russian government statements about the "turn to the East" after the start of the Ukrainian crisis were widely criticized as unrealistic. The critics were partly correct—the government did not manage to use China to compensate fully for the losses in cooperation with the West. However, the hard fact is that the role of China in the Russian economy has seen very significant growth since the late 1990s, when the real, much slower rebalancing of Russian economic ties started.

A Need to Rebalance Russian Economic Ties in the Asia-Pacific

Russian economic reliance on China has been growing steadily since the late 1990s. In 2000, the volume of Chinese-Russian trade was around $8 billion, and China's share in Russian foreign trade was 4.51 percent.[19] China was the fourth largest trade partner of Russia, after Germany, Italy, and the United States. Now China is the number one trade partner of Russia among individual countries and the second after the European Union. In 2014, according to Russian customs data, China (Hong Kong included) accounted for 11.5 percent of the Russian external trade in goods, with a trade volume of $89.8 billion. Of course, the European Union, combined, still accounted for some 48 percent, but the dynamics are rather clear—the relative importance of Europe for the Russian economy is slowly decreasing.

The sharp fall in Russian foreign trade in 2015, caused by falling commodity prices, has affected trade with both China and the European Union, but the negative effects on trade with China were smaller. From January to August 2015, the European Union share in Russian foreign trade fell to 45.7 percent (from 49 percent in the period January to August 2014), and the Chinese share grew to 11.7 percent (from 11 percent in the period January to August 2014). The gradual economic turn towards China was not stopped by the economic crisis and sanctions, and it may gain new momentum once oil prices stabilize or rebound. This is a long-term process, which will affect politics, the economy, demography, culture, and education in Russia. The process, itself, is unavoidable; the task is to keep it manageable. Instead of turning just towards China, Russia should be turning towards the Asia-Pacific. That shift will require careful balancing of the entire system of Russian economic and political ties with the region's countries.

The success of this policy is important for Russia and the region, in general. If

[19] Portyakov, V.Y. "Russo-Chinese Trade: Political and Economic Discourse." *China in Global and Regional Politics* 16 (2011).

Russia manages to balance the current growth of economic relations with China with corresponding growth in relations with Japan, South Korea, and the Association of Southeast Asian Nations, we expect that it would stabilize the Russian political role in the region for the foreseeable future. Relations with China will always remain special for Russia, but it could avoid close alignment with China on most regional issues, while maintaining general support for the rise of China as a major global power. In other words, Russia's failure to diversify economic relations in Asia would lead to closer political alignment with China and affect its ability to develop relations, simultaneously, with the other countries in the region. Such a situation would bring a host of political and economic risks, both for Russia and for the entire region of the Asia-Pacific. The Russian leadership is well aware of such risks, and the development of relations with the developed Asian economies is one of the priorities of Russian foreign policy in the region.

Until 2015, Russian trade with the Asia-Pacific countries, other than China, was expanding, and during the difficult months of 2015 most of them kept their shares of Russian foreign trade or even moderately increased them. However, China now accounts for about 50 percent of Russian trade with East Asia, and that share can be expected to grow. Trade with Japan, the second most important Russian partner in Asia, accounts for only about 30 percent of Russia's trade with China. Economic reliance on China can be expected to increase when the new infrastructure projects, such as expansion of the Mohe-Skovorodino oil pipeline and the "Power of Siberia" gas pipeline, become operational.

Conclusion

Both Russia and Japan have concerns caused by their relative declines compared to China; however, their concerns are of a different nature. For Japan, China is a primary security threat, a new and growing great power seeking to rewrite the rules for the Asia-Pacific at the expense of Japan and using anti-Japanese nationalism as one of the pillars of its official ideology. Russia is more concerned with the possibility of economic overreliance on China, which would restrict freedom of maneuver in Russian foreign policy in the Asia-Pacific. Russian security planners do recognize that China, one day, may become a military threat, but see it as a high risk, low probability threat.

Russia and Japan have been slowly developing military-to-military relations since the first half of the 1990s. The first contacts between the two militaries were established in 1993, when the first deputy chief of the Russian General Staff, General Andrei Nikolaev, made an unofficial visit to Japan. In September 1994, the first Russian-Japanese disaster relief naval exercises were held near Vladivostok. In 1996, the chief of the Japanese National Defense Department, Hideo Usui, visited Russia, after which contacts between the two countries' defense ministers and chiefs of staff became regular.

The next major development was the first consultations between the ministers of

foreign affairs and defense ("two plus two" talks), held in November 2013. The negotiations focused on coordination on issues of piracy and terrorism. The Russian officials in their public comments underlined that China was not discussed during the negotiations. According to *Asahi Shimbun*, the Japanese side tried to raise the China issue during the negotiations but received no response.[20]

Russia is obviously interested in creating new, effective channels of communication with Japan to discuss regional politics and security issues. But Russia will carefully avoid any specific discussions of Chinese behavior and the Chinese military buildup, because, at this stage, Russia does not see this buildup as a threat and does not want needlessly to damage its relations with China. This means that the future agendas of such contacts will be centered on such issues as the Kuril Islands, North Korea, terrorism, piracy, disaster relief, and dangerous incidents prevention, with little mention of the Chinese elephant in the room. However, well-developed channels of communication would allow for quickly establishing such dialogue and cooperation, if the need arises.

The Ukrainian crisis did much less damage to Russia's relations with Japan than its relations with any other G7 country. Both countries remain committed to reviving bilateral relations as soon as possible. Their common interest is supporting diversification of Russia's political and economic relations in the Asia-Pacific, which would help Moscow to maintain its current, balanced approach to regional politics and contribute to regional security. Closer economic cooperation and interdependence may, in the future, turn Russia into a stabilizing factor in Sino-Japanese relations. After the Ukrainian crisis, Japan, in fact, became Moscow's most trusted partner among the G7 countries, and it is likely to keep this role, which will affect Russian strategic positioning in the Asia-Pacific and contribute to the security of Russia and Japan.

[20] Suzuki, Takuya, Koji Sonoda, and Akiyoshi Komaki. "Peregovory «2 + 2» Mezhdu Rossiei i Iaponiei: Raskhozhdenie v Voprosakh o Kitae i Severnykh Territoriiakh, Usilenie Sodeistviia v Sfere Bezopasnosti" [Two plus two negotiations between Russia and Japan: Differences over China and the Northern Territories]. Inosmi.ru. November 05, 2013. http://inosmi.ru/world/20131105/214479205.html.

Chapter 9

Japan-Russia Relations through the Lens of the U.S.-Japan Alliance

Frank Jannuzi

The United States-Japan alliance is a grand bargain: the cornerstone of Washington's efforts to promote peace and security in East Asia. Japan allows the United States to forward-position tens of thousands of troops and hundreds of aircraft and ships at more than eighty facilities scattered across the Japanese Islands. Without these facilities, the United States would have difficulty projecting power and might find it impossible to fulfill its treaty obligations to other alliance partners in the region, including the Philippines and South Korea. In return for basing rights and generous host nation support, the United States shields Japan beneath its "nuclear umbrella" and safeguards Japan's sovereignty and territorial integrity against all external threats. It thereby ensures that Japan, an archipelagic power, has a strong continental ally, albeit one on the other side of the Pacific Ocean.

This bargain has served both nations well, even as the strategic focus of the alliance has shifted from deterrence of Soviet aggression to maintenance of peace and security in an "increasingly complex security environment."[1] Ambassador Mike Mansfield famously called the alliance "the most important bilateral relationship in the world, bar none." Drafted at the height of the West's contest for global supremacy with the Soviet Union, the 1952 U.S.-Japan Mutual Security Assistance Pact provided valuable security guarantees for both allies. The Soviet threat energized the partnership and fueled Japan's rearmament. Washington's military support and generous aid allowed Tokyo to concentrate its limited resources on national reconstruction and economic growth, rather than military spending. The alliance was also a bulwark against any Soviet designs on Japanese soil and gave Japan sufficient geopolitical strength in 1956 to normalize diplomatic and economic relations with the Soviet Union. For the United States, the alliance provided the wherewithal to defend its foothold on the Korean Peninsula and later to project power into Southeast Asia.

[1] Ministry of Defense of Japan. "The Guidelines for Japan-U.S. Defense Cooperation." April 27, 2015. http://www.mod.go.jp/e/d_act/anpo/shishin_20150427e.html.

It also prevented the Soviet Union from leaving its eastern borders undefended in order to concentrate its conventional and nuclear forces in Europe.

What Japanese Prime Minister Shinzo Abe calls an "alliance of hope" remains vital to both nations, but it is no longer animated by a common perception of an overarching Soviet/Russian threat. In fact, the 2015 revised U.S.-Japan Defense Guidelines take pains to avoid describing any nation as an adversary. The guidelines, instead, scope out an alliance designed to address effectively and seamlessly "persistent and emerging threats" without geographical limit, including situations when an armed attack on Japan is not involved.

If pressed to identify a potential adversary, alliance managers, today, would point to North Korea or China, not Russia. This does not mean that Moscow's conduct escapes scrutiny, but as was sometimes true during the Cold War, the United States and Japan, today, have differing perceptions of Russia and the role of the alliance in managing it. President Obama views Russia as a threat to the international order and expects Japan to join the United States and other nations in punishing Russia for its transgressions. Abe views Russia as an opportunity, while he hopes the U.S.-Japan alliance will facilitate *détente*, even as it reinforces the international norm against settling territorial disputes by force. Washington's priorities for Russia include rolling back its annexation of Crimea and negotiating an end to Syria's civil war. Tokyo's priority is deterring China from challenging Japan's sovereignty over the Senkaku (Diaoyu) Islands, and it views a potential peace treaty with Russia as an important step toward shoring up its strategic position vis-à-vis China.

It is not the first time that Washington and Tokyo have differed over how best to manage relations with Moscow. As is true in any long-term relationship, a certain amount of give and take and compromise is required to accommodate the evolving and sometimes competing priorities of the partners. This flexibility will be particularly important if Tokyo comes to believe that its strategic interests are best served by rapprochement with Moscow, at a time when the United States and other members of the G7 are intent on punishing and isolating Russian President Vladimir Putin.

Post-Cold War Russia and a Reoriented U.S.-Japan Alliance

Given its Cold War origins, the U.S.-Japan alliance was bound to experience an identity crisis with the collapse of the Soviet Union. The principal strategic rationale for the alliance vaporized almost overnight, and it was not immediately clear whether the allies could identify a compelling purpose or embrace a coherent mission in the era of globalization. The 1997 defense guidelines authorized in vague terms a role for Japanese forces in situations and territories far removed from the direct defense of Japanese territory—an important step in the evolution of the alliance, from one based on a single, common threat to one based more on a set of common security interests and values. The alliance was entering a decidedly post-Soviet era, emphasizing missions and capabilities having little to do with Russia and

its regional ambitions, limited as they were by the implosion of the Soviet Union and the collapse of Russian military readiness. The terror attacks of 9/11 reinforced these trend lines, further shifting the focus of the alliance away from its traditional adversary and reorienting it toward unconventional threats, albeit in a non-combat role.

Nearly twenty years later, the allies have just issued the latest version of their defense guidelines, responding to the emergence of new conventional threats: North Korean nuclear weapons and missiles—and unconventional ones—radical Islamic terrorism, humanitarian disasters, piracy, and cyber security, among others. The U.S.-Japan alliance has truly "gone global." With the reinterpretation of its constitution to permit Japan to exercise collective self-defense, Japan can now take action to defend U.S. or other allied forces anywhere in the world, even if Japan is not under direct attack. It can, at least in theory, use a Japanese Aegis cruiser to shoot down a missile flying over Japan toward U.S. territory. And by introducing greater symmetry into the relationship, the new guidelines take Tokyo closer to the status of equal partner with Washington, rather than "little brother." Yet, for all of the attention focused on emerging global threats, the Obama-Abe revisions also underscore the persistence of great power rivalries as a rationale for the alliance.

The rise of China prompted U.S. Secretary of State Hillary Clinton's call for a "pivot to Asia," and it also presages the return of the U.S.-Japan alliance to its traditional security mission; that is, deterring a potential regional hegemonic power or peer competitor and maintaining freedom of navigation and open sea lines of communication. Both Japan and the United States are worried by China's irredentist tendencies and more assertive military posture in the Western Pacific. Many provisions of the new guidelines, especially the high priority attached to ballistic missile defenses, cyber security, and space, were clearly drafted with alliance relations with China in mind. Here, at last, is a potential adversary large enough to replace the Soviet Union in U.S. and Japanese strategic thinking, prompting a raft of analysts, some serious, some less so, to reiterate and underscore the vital role of the U.S.-Japan alliance. As former American diplomat Robert Blackwill and Carnegie Endowment senior associate Ashley Tellis wrote for the Council on Foreign Relations:

> Because the American effort to 'integrate' China into the liberal international order has now generated new threats to U.S. primacy in Asia—and could result in a consequential challenge to American power globally—Washington needs a new grand strategy toward China that centers on balancing the rise of Chinese power rather than continuing to assist its ascendancy.[2]

If there is growing consensus on the need for the alliance to devise a new strategy to deal

[2] Blackwill, Robert D., Henry A. Kissinger, and Ashley J. Tellis. "Revising U.S. Grand Strategy toward China." Council on Foreign Relations. April 2015. http://www.cfr.org/china/revising-us-grand-strategy-toward-china/p36371.

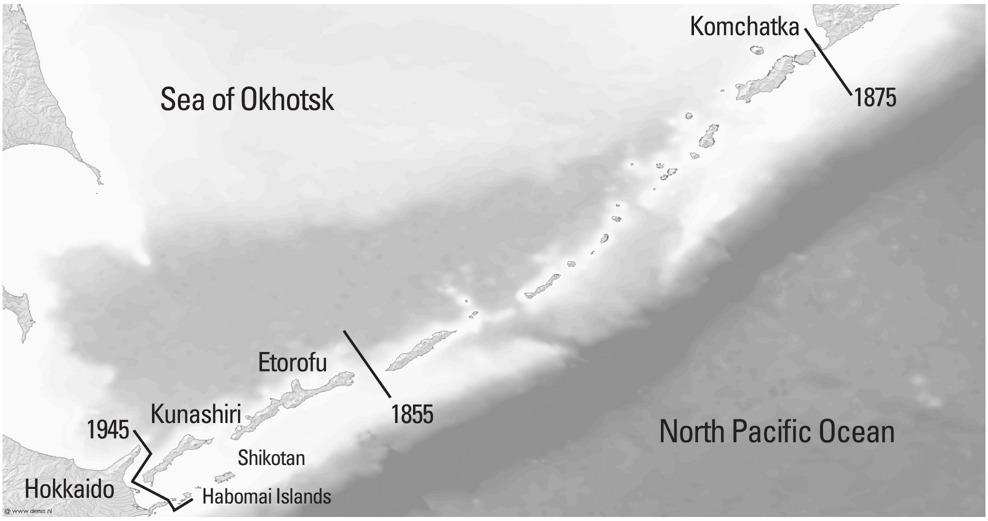
with China, there remain important differences in the allies' assessments of the challenges and opportunities posed by Russia. Russia and Japan do not view each other as threats. The same cannot be said of the United States and Russia. Washington is increasingly worried about Russia under Putin's leadership. And when it comes to determining the alliance's role in great power, balance of power politics, Washington still expects to be the *senior* partner. Deteriorating U.S.-Russia ties have, thus, begun to complicate alliance management, with Washington focused on the Crimea and Syria, while Tokyo fixes its gaze on an older Russian land grab much closer to home.

Evolving U.S., Japanese, and Russian Perspectives on the Kuril Islands Dispute

The United States has long held a nuanced position on the Northern Territories—or as Russia calls them, the Southern Kurils—reflecting the complex and often contradictory history of the conflict.[3] The Kuril Islands were promised to the Soviet Union at Yalta and seized by the Soviet Union following Japan's surrender in World War II. Under the terms of the 1951 San Francisco Peace Treaty, Japan renounced "all right, title and claim to the Kurile Islands," and the islands were effectively incorporated into the Soviet Union. But some in Japan and the United States argued, at the time, that at least two of the islands close to Hokkaido—Habomai and Shikotan—are actually part of Hokkaido, rather than part of the Kuril Islands, and as such are not subject to the 1951 treaty. Moreover, Britain and the United States agreed that territorial rights would not be granted to nations that did not sign the Treaty of San Francisco; therefore, the Kuril Islands were never *formally* recognized as Soviet territory. In a 1956 declaration, the Soviet Union promised to return the two southernmost islands once a final peace treaty was finalized, leaving the status of Etorofu and Kunashiri to be determined.[4] But that deal was never consummated, derailed in part because the United States urged Japan to take a hard line. In numerous subsequent rounds of negotiations, Japan was unwilling to accept a territorial compromise—insisting on the return of all four islands—and the United States has generally stood by its ally, albeit with an annoying lack of clarity. In August 2014, for instance, State Department spokeswoman Marie Harf said, "The United States recognizes Japanese sovereignty over these islands,"[5] leaving unclear precisely which islands were in question.

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[3] For detailed analyses of the complexities, see Stephan, John J., *The Kuril Islands: Russo-Japanese Frontier in the Pacific* (Oxford: Clarendon Press, 1974), and also Hara, Kimie. "50 Years from San Francisco: Re-Examining the Peace Treaty and Japan's Territorial Problems." *Pacific Affairs* 74, no. 3 (Autumn 2001): 361–82.
[4] Goodby, James, Vladimir I. Ivanov, and Nobuo Shimotomai, eds., *Northern Territories and Beyond: Russian, Japanese, and American Perspectives*, (Washington, DC: U.S. Institute of Peace, 1995).
[5] *Japan Times*. "U.S. Recognizes Japan's Sovereignty over Russian-held Isles: Official." August 14, 2014. http://www.japantimes.co.jp/news/2014/08/14/national/u-s-recognizes-japans-sovereignty-over-russian-held-isles-official/#.VkVrzYSDTz.



The Kuril Islands (Northern Territories), with the current Japanese names of the four disputed islands. The borders from the Shimoda Treaty (1855), Treaty of St. Petersburg (1875), and current effective administration (as of 1945) are also shown.

The prospects for a deal on the islands appeared bright, not long ago, fueled by good personal rapport between Putin and Abe. From the moment Abe regained the position of prime minister, he has consistently expressed his interest in concluding a post-World War II peace treaty with Russia. Abe and Putin have met a dozen times and have established a high-level "two plus two" mechanism in an effort to forge closer ties. In 2012, Putin used the judo term "hikiwake" to suggest a compromise on the territorial dispute, and in April 2013, Abe became the first Japanese prime minister in a decade to visit Russia, following which Abe confidant and national security advisor Shotaro Yachi hinted that Japan was open to a deal that would leave some of the disputed islands under Russian control.[6]

Abe's rationale for wanting to settle the dispute is straightforward.[7] It is preventing a peace treaty that makes strategic sense, considering both nations' economic complementarity and Japan's concerns over the rise of China. The closure of Japan's nuclear power plants after the tragedy of 3/11 cut the nation's energy production by a third and left it dependent on Middle East oil for electric power. Russian oil and gas could significantly reduce Japan's dependence on fossil fuels from unstable suppliers. Japan is also eager to discourage Russia and China from forging a genuine strategic partnership, and a peace treaty would clear the

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[6] Nippon.com, "Behind the New Abe Diplomacy: An Interview with Cabinet Advisor Yachi Shōtarō (Part Two)," August 9, 2013, http://www.nippon.com/en/currents/d00090/.

[7] For a fulsome exploration of Abe's motives, see Brown, James. "Japan's Territorial Dispute with Russia: Prime Minister Abe's Plan to Break the Deadlock." *The Asia-Pacific Journal* 14, no. 4 (February 15, 2016). http://www.globalresearch.ca/japans-prime-minister-abes-2016-plan-to-break-the-deadlock-in-the-territorial-dispute-with-russia/5509546.

way for Japan to expand its economic dealings and political leverage with Russia.

For its part, Moscow has long been eager to diversify its energy exports. It does not want China to monopolize the market for Russian hydrocarbons in East Asia, and it is also hungry for non-Chinese investment in the Russian Far East. Japan is the closest and most logical source of capital. The Kremlin would love to drive a wedge between Tokyo and Washington—delivering a blow to U.S. global influence. Some further argue that, although Putin has made a great show of cozying up to Beijing, this seems more a marriage of convenience than a strategic convergence. Japanese advocating for a deal with Russia, including Abe and several of his senior national security advisers, hope a diplomatic breakthrough could turn into a tectonic shift in Northeast Asia.

U.S. Perspective on Warming Relations between Japan and Russia

For all of the underlying strategic reasons for Japan and Russia to seek improved ties, the likelihood of a deal declined sharply after Russia annexed the Crimea. The prospects are far less promising today than they were during the first couple of years of the Abe-Putin courtship. On a practical level, more than seventeen thousand Russians live on the Kuril Islands; an inconvenient truth that constitutes a major barrier to Moscow handing over the largest of the four islands. And as the last remaining former Japanese residents of the islands die of old age, Japan's emotional link to the territories will diminish. More important, as was true in 1956, any deal to resolve the dispute will require at least the tacit approval of Washington. And the United States currently views Japan-Russia security ties with great skepticism; a fact the Obama administration has not been shy about communicating to Tokyo. On July 5, 2014, Assistant Secretary of State Danny Russell had the following to say about warming ties between Japan and Russia:

> The Japanese government clearly recognizes that the unity in the international community will ultimately be one of the factors that convinces Russia that it must adjust its behavior and stop the challenge to international law and values. I have a high degree of confidence that the Japanese government also recognizes that unity in this issue also has significant implications for the Asia-Pacific region. There are abundant analogies that can be drawn between Russia's behavior and the threats to sovereignty and territorial integrity, much closer to home for Japan. That lesson has not been lost on the Japanese government, and we're counting on them.[8]

In diplospeak, this was an exceptionally blunt warning. When diplomats say they have a

[8] AJW by *The Asahi Shimbun*. "INTERVIEW/ Daniel Russel: U.S. Hopes China Will Agree to Japan's Call for Dialogue on Senkaku Issue - AJW by *The Asahi Shimbun*." January 05, 2014. http://ajw.asahi.com/article/views/opinion/AJ201407050024.

"high degree of confidence," it means they are very worried that the opposite might be the case. And when they use the word "unity" twice in two adjacent sentences, it means they are worried that divergence exists. And when they specifically reference threats to sovereignty and territorial integrity, they are invoking the most critical phrases of treaty alliances. Finally, when diplomats say, "we are counting on you," they really mean, "we will be very, very disappointed if you let us down."

Coming just a few months after Abe's visit to Sochi for the Winter Olympics, Russell's comments can only be interpreted as a shot across the bow of any Japanese plan to pursue a settlement on the Northern Territories issue on terms that are likely to be acceptable to Putin. Washington demands that Japan hold Russia at arm's length and cooperate with the United States and the European Union in maintaining sanctions. It has implicitly linked Tokyo's willingness to punish Moscow for its "threat to sovereignty and territorial integrity" in Europe to the U.S. willingness to stand up to Chinese threats "much closer to home for Japan." This is one of those moments in the history of the alliance when the "grand bargain" is clear. Washington expects Tokyo to prioritize alliance solidarity over the prospect (however slim) of resolving the Northern Territories issue.

G7 Solidarity and Next Attempts at Rapprochement

Perhaps taking the obstacles being thrown up by Washington into account, both Moscow and Tokyo have hardened their negotiating positions on the Kuril Islands in recent months. Russian Prime Minister Dmitry Medvedev visited Iturup Island on August 22, 2015, and announced plans to enhance Russian military and civilian infrastructure in the Kuril Islands chain.[9] Medvedev chose "State Flag Day" for his visit, posing beneath a giant Russian flag, lest the nationalist purpose of his visit be lost on anybody. Engaged in a high-profile dispute with Washington over Ukraine and angered by Tokyo's decision to side with the G7 on sanctions, Moscow is not currently inclined to show flexibility when it comes to an issue of national pride.

Japan's honor is also engaged. Foreign Minister Fumio Kishida rebuked Medvedev for visiting the islands and postponed a trip to Moscow that had been scheduled for August. Although Abe, in January 2016, reiterated his support for a summit meeting to mend relations and agree to a final settlement of the dispute, the prospects of such a summit materializing in 2016 are doubtful.[10] Having once expressed concern that Washington's response to the Crimea was too weak—wondering aloud whether the United States could

[9] The island chain guards passage to the Sea of Okhotsk, home to important Pacific bases for Russia's strategic submarine force.

[10] Efforts to arrange an informal meeting between Abe and Putin in late April or early May continue, according to press reports. *Nikkei Asia Review*. "Tokyo, Moscow Eye Sochi Stopover by Abe in May." February 16, 2016. http://asia.nikkei.com/Politics-Economy/International-Relations/Tokyo-Moscow-eye-Sochi-stopover-by-Abe-in-May.

be relied upon to honor security commitments to Japan on the Senkaku (Diaoyu) Islands, if it did not stand in solidarity with Kiev[11]—Tokyo can hardly soften its own policy line, now that it has secured from Washington the iron-clad assurances on the Senkaku (Diaoyu) Islands it had been seeking.

That said, Washington appears to be leaving nothing to chance. Responding to a question about a flurry of meetings between Japanese and Russian officials last summer and in early fall, State Department spokesman John Kirby on October 8, 2015, underscored U.S. opposition to "business as usual" with Russia. His answer left little doubt that Washington expects Japan, as host of the G7, to do nothing to undermine allied pressure on Moscow.[12] Even though Japan's sanctions on Russia are mostly symbolic, they, nonetheless, signal that maintaining close ties with Washington is more important than attempting a breakthrough in Russo-Japanese relations. What is less clear is how long Abe will hold his personal desire to pursue a peace deal with Putin in suspense, and whether Washington's stance on a possible rapprochement may ultimately prove counterproductive, if that stance tends to drive Russia and China together in the Far East.

Conclusion

Washington's success in persuading Abe to set aside, to date, his ambition to settle the islands dispute is a win for G7 solidarity and a win for U.S./NATO efforts to restrain Moscow in Eastern Europe. But the arm-twisting required to secure Japanese solidarity could complicate U.S. efforts to balance the rise of China and cope with other challenges in East Asia, including North Korea. Washington's priority on Ukraine appears to belie a major argument undergirding the "rebalance" strategy—namely, that the preponderance of U.S. economic and security interests has shifted from Europe and the Middle East to Asia.

China's September 3, 2015, victory parade—with President Xi Jinping flanked by Putin on one side and South Korean President Park Geun-hye on the other—provided visual affirmation of Beijing's dream that continental Asia will look to Beijing for leadership, rather than to Tokyo and Washington. And in November, Moscow announced a $2 billion deal to sell twenty-four of its most advanced fighter aircraft, the Su-35, to Beijing—a deal that might not have been made had Russia not been languishing under the economic weight of sanctions, or if it still had hopes of cozying up to Japan. Russia has also moved closer to Pyongyang, balking for a time at U.S. efforts to impose tough, new UN sanctions, following North Korea's latest nuclear and missile tests.

[11] Cooper, Helene, and Martin Fackler. "U.S. Response to Crimea Worries Japan's Leaders." *New York Times*, April 5, 2014. http://www.nytimes.com/2014/04/06/world/asia/us-response-to-crimea-worries-japanese-leaders.html.
[12] U.S. Department of State. "Daily Press Briefing - October 8, 2015." October 08, 2015. http://www.state.gov/r/pa/prs/dpb/2015/10/248049.htm.

Long term, the United States will have to evaluate whether its opposition to Russo-Japanese reconciliation, under conditions of Russo-American hostility elsewhere in the world, is compatible with the growing need to bolster the alliance's ability to manage North Korea's nuclear ambitions and deter Chinese aggressive moves at sea, in space, and in cyberspace. Given allied anxiety about China's growing economic, political, and military clout—an anxiety that some in Moscow share,[13] finding a way to repair relations with Russia would appear to make strategic sense for both the United States and Japan. A peaceful settlement of the Northern Territories issue could set a good precedent for the negotiated resolution of territorial disputes in the East China Sea and South China Sea. A peace treaty between Japan and Russia might also allow the alliance to shift military resources away from the Russian threat and deploy them in pursuit of other global objectives, including freedom of navigation—a top U.S. priority. This is the logic being heard from Tokyo, but U.S. officials and many strategic analysts doubt it. Thus, divergence in geopolitical interpretations at the regional and global levels is complicating the diplomacy between Washington and Tokyo over Abe's continued pursuit of Putin in 2016.

[13] Lukin, Alexander. "Perceptions of China Threat in Russia and Russian-Chinese Relations." Proceedings of China Threat Perceptions from Different Continents, Hong Kong. 2001. Accessed March 22, 2016. http://www.brookings.edu/fp/cnaps/papers/russiachina.pdf.

PART III

ECONOMIC RELATIONS

Chapter 10

Japan-Russia Economic Relations with Emphasis on Energy Cooperation

Hirofumi Arai

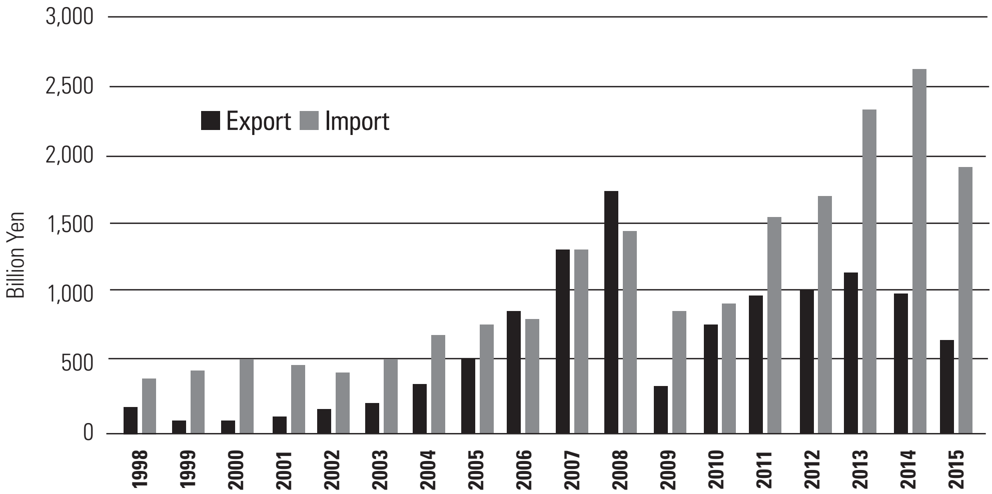
Many questions are being asked about economic—especially energy—relations between Japan and Russia. As the leaders of the two countries contemplate an agreement to transform bilateral relations, many believe that that agreement must include a far-reaching deal on the export of Russian energy—gas, above all—to the Japanese market. Does this make sense commercially for the Japanese side? Is the Kuril Islands territorial dispute a major factor that stands in the way, and would its resolution make a big difference? Has the sharp drop in energy prices since 2014 affected prospects for cooperation? If Russian negotiators insist on an energy deal as part of an overall package, what should the response of the Japanese side be in light of current economic realities? This chapter looks first at trade dynamics, then broadly at energy cooperation projects (focusing on eight in total), and then specifically at natural gas cooperation, before identifying factors leading to stagnation in energy cooperation. The conclusion stresses uncertainty in the next step of bilateral cooperation, presenting three possible scenarios to come.

Trade Dynamics

After Russia's financial crisis in 1998, trade turnover between Japan and Russia grew rapidly until 2008, driven largely by exports of machinery, including automobiles from Japan to Russia's expanding consumer market. The 2008 global financial crisis hit the Russian economy severely, shrinking its import capacity and causing Japanese exports to decline by as much as 600 percent between 2008 and 2009. That said, Japan's imports, overall, have advanced relatively steadily since 2000 (see fig. 2), thanks mostly to the expansion of energy resource trade. The decline in 2015 was primarily a consequence of the fall of energy resource prices.

Traditionally, Japan's major import items from Russia have been natural resources and raw materials. The composition, however, has changed dramatically in this century.

Figure 2. Trade volume between Japan and Russia.



Source: *Trade Statistics of Japan.*

In 1998, the major import items were nonferrous metals (38.1 percent of total imports), fish (30.9 percent), wood (15.0 percent), and coal (6.6 percent). In the peak year of 2014, while total imports had grown seven times since 1998, oil and gas comprised three quarters of the total: crude oil at 43.0 percent, oil products at 6.3 percent, and liquefied natural gas (LNG) at 26.9 percent. Even though imports of the previous major items, except for wood, had also grown during this period, their growth rates were much less than the growth rate for imports as a whole. Among the noteworthy developments during this period were the beginnings of oil production (1999) and gas production (2009) in the Sakhalin-II project, the commencement of oil production in the Sakhalin-I project (2005), and the start of operations of the East Siberia-Pacific Ocean (ESPO) pipeline (2009).

Energy Cooperation Projects between Japan and Russia

Despite the drastic change in the trade structure between Japan and Russia, there have been a few successfully-implemented, joint projects in the energy sector, among them Sakhalin-I and Sakhalin-II. Another project, which has proven mutually beneficial, is the ESPO oil pipeline, which paved the way to joint projects in Eastern Siberia. The Vladivostok LNG project, which was the focus of bilateral energy cooperation discussion for years, has lost momentum. Coal has been a traditional item of cooperation between the countries since the Soviet era, but negotiations on new coal deposit developments have not brought visible results.

The following is a quick review of cooperation projects, either in operation or under discussion.

Sakhalin-I

Sakhalin-I is one of the offshore oil-gas development projects on the continental shelf of Sakhalin Island. The project has proceeded in accord with a 1995 production-sharing agreement among the project consortium, the government of the Russian Federation, and the local government of Sakhalin. The project operator is Exxon Neftegas Limited, current shareholders of which are Exxon Mobil (30 percent, USA), Sakhalin Oil & Gas Development Co. Ltd or SODECO (30 percent, Japan), ONGC Videsh Ltd. (20 percent, India), Sakhalinmorneftegas-Shelf (11.5 percent, Russia) and RN-Astra (8.5 percent, Russia). In fact, the two Russian participants are affiliates of Rosneft, the largest state-owned oil company in Russia; thus, the latter is the key stakeholder in the project, boosted by its influence on the political process of the Russian Federation.

For Japan's part, SODECO is a public-private joint venture. Formally, 50 percent of its share belongs to the state, specifically the Ministry of Economy, Trade, and Industry (METI). Among the five joint stock companies JAPEX, Itochu, Marubeni, INPEX, and Itochu Oil Exploration, which together own the remaining 50 percent, JAPEX and INPEX are state-owned enterprises, whose largest shareholder is METI.

The project shipped its first commercial oil in 2005 and soon became one of Japan's major oil sources. Natural gas development has faced challenges, so far. Lacking export possibilities, Sakhalin-I has not been able to launch full-scale production of natural gas. Currently, the associated gas goes to the mainland through the Sakhalin-Khabarovsk-Vladivostok pipeline, which was completed in 2011 as part of preparations to accommodate the 2012 Asia-Pacific Economic Cooperation summit in Vladivostok.

Among the options for gas exports that have been discussed are: an extension of the pipeline to China, construction of the Far East LNG plant proposed by Rosneft, construction of a new pipeline to Japan, and supply of natural gas to the Sakhalin-II LNG plant expansion project. Advancing these initiatives, however, requires simultaneously resolving complex questions involving domestic factors, including overcoming the rivalry between Rosneft and Gazprom, and external factors, such as satisfying the needs of potential consumers and eliciting favorable policies from the importing countries, given their socio-economic and political constraints.

Sakhalin-II

Sakhalin-II is another continental shelf development project operating with a production-sharing agreement signed in 1994. The project operator, Sakhalin Energy Investment Company Ltd., is also a joint venture, whose shareholders are Gazprom (50 percent plus

one share), Royal Dutch Shell (27.5 percent minus one share), Mitsui (12.5 percent), and Mitsubishi (10 percent). Unlike Sakhalin-I, the Japanese participant in this project is a genuinely private business. Initially, the project was a purely foreign one, but Russia's gas monopoly took effect in 2006, altering its ownership.

Sakhalin-II has always taken precedence over Sakhalin-I. It operates Russia's first-ever LNG plant, exporting natural gas to Japan, South Korea, and other Asian countries. It is the source of "emergency" supplies to the Japanese market, which was at risk of blackouts following the shutdowns of nuclear power plants after the 2011 Fukushima disaster. Japan's imports exceeded 8 million tons per year from 2012 to 2014, while the volume of long-term contracts is 5.5 million tons annually. A plan to expand the LNG plant with an additional capacity of five million tons per year is under discussion.

The East Siberia-Pacific Ocean (ESPO) Pipeline

The ESPO pipeline transports crude oil extracted from the East Siberia oil fields for export to Asia-Pacific markets. The trunk line runs from Tayshet in the Irkutsk region to the Kozmino oil loading port in Primorsky territory, with a branch line to the Chinese city of Daqing (Heilongjiang province), the center of China's oil industry. Russia's oil pipeline monopoly company, Transneft, owns and operates the Russian part.

This project is a Russian-Chinese joint project, as the construction of the branch line was an outcome of successful bilateral negotiations among state-owned enterprises from both countries: Rosneft, Transneft, and China National Petroleum Corporation (CNPC). Transneft constructed the other parts, unilaterally. There are no Japanese investments in or loans to this project.

However, Japan played a substantial role in bringing the idea about, by committing support to this project. In January 2003, then-Prime Minister Junichiro Koizumi visited Moscow and expressed his "careful attention" to this project. The Japan-Russia Action Plan, the outcome of the summit meeting with President Vladimir Putin, stipulated, "both sides will undertake reviews at the governmental and private-sector levels on the advancement of specific cooperation in the realization of energy transportation" in the Far East and Siberia. Four months later, the Russian government endorsed the plan with the main line to the Kozmino port and the spur to China. Recalling the 1990s origin of the project, for which a Russian private oil company (Yukos) and CNPC had agreed to construct a pipeline to China, the decision in May 2003 seemed to be an inversion in the competition between the two Asian consumer countries, in favor of Japan.

The record, to date, proves that the decision was right, or rather beneficial for all. The pipeline system has enhanced development of oil fields, and Japan, China, South Korea, and other Asian economies have been able to diversify their oil procurement sources, which are highly dependent on the Middle East.

Development of Oil Fields in the Irkutsk Region

As noted above, the ESPO pipeline opened opportunities for untouched oil fields to be developed. The Japan Oil, Gas, and Metals National Corporation (JOGMEC) had initiated geological surveys and exploration works in East Siberia, establishing joint ventures with partners from the Russian side. Receiving the positive results of geological surveys, JOGMEC invited private companies (Itochu and INPEX) to two blocks in 2013. Their local partner, Irkutsk Oil Company (INK), announced that the project was proceeding to the pilot production stage in November 2015.[1] Eventually, this and/or other oil fields are expected to export the "Japanese oil" home.

Yamal LNG

Unlike the other projects, Yamal LNG project's operator is not state-owned; it is the independent gas company Novatek. Its foreign partners are Total E&P Yamal (20 percent, France) and CNODC (20 percent, China). Its production site is located in Yamal peninsula, projecting into the Arctic Sea. It plans to export LNG to both Europe and Asia through the Northern Sea Route. Currently, the project is at the construction stage. The production capacity of the first stage is 5.5 million tons per annum (mtpa), which will commence in 2017, with further expansions to 11.0 mtpa in 2018 and 16.5 mtpa in 2019.

Although there are no shares held by Japanese gas traders, Japanese businesses find that their products are being used in the project. The engineering, procurement, and construction contractor consortium involves Technip (France) and two Japanese companies (JGC and Chiyoda). Mitsui O.S.K. Lines was awarded an LNG tanker operation contract.

Vladivostok LNG

This project, led by Gazprom, envisages production of 15 million tons of LNG per annum. The intention is to expand Russia's LNG exports to East Asia, the world's largest market, encompassing Japan, South Korea, China, and Taiwan. This project has been on the priority agenda of Japan-Russia cooperation since 2009. The Agency of Natural Resources and Energy of Japan (ANRE), JAPEX, and Itochu, together with Gazprom, conducted a pre-feasibility study from 2009 to 2010. In line with the agreement between ANRE and Gazprom, in December 2010, the partner companies in SODECO established a dedicated company, which eventually conducted a joint feasibility study with Gazprom. Relying on its conclusion, Gazprom approved the Investment Rationale in February 2013. Later in June 2013, Gazprom and the Japanese company signed a memorandum of understanding

[1] Irkutsk Oil Company. "INK – ITOCHU, INPEX and JOGMEC JV Commences Ichyodinskoye Oil Field Pilot Production." November 30, 2015. Accessed January 25, 2016. http://irkutskoil.com/press-center/sovmestnoe-predpriyatie-ink-i-yaponskikh-kompaniy-itochu-inpex-i-jogmec-pristupilo-k-probnoy-eksplua/.

on further cooperation, including marketing activities in Japan. All of these steps were successful. The disaster in Fukushima in March 2011 stressed the significance of energy cooperation. Prime Minister Shinzo Abe's visit to Moscow in April 2013 accelerated the process as well.

However, the process has stagnated since 2013. Whereas Gazprom has seemed to devote serious attention to the "Power of Siberia" pipeline project to realize the large gas deal with China, signed in 2014, as well as Sakhalin-II expansion and other projects in the Far East, there have been few official announcements on the progress of Vladivostok LNG. Remarks of top management, reported in the media, indicate that it is not among the company's priorities.[2]

Proposed Sakhalin–Japan Gas Pipelines

The idea to construct gas pipelines from Sakhalin to Japan has a long history and has been part of various discussions. In 1999, for example, key participants in the Sakhalin-I project (Exxon Mobile, JAPEX, Itochu, and Marubeni) started a feasibility study of two proposed routes to Honshu, the main island of Japan. Although the study concluded that the plan was technically feasible, this project has not been realized. After the Fukushima accident, given Japan's need for less expensive fuel, the pipeline option was revived as a subject of discussion. Below, I discuss various options for transporting natural gas to Japan.

The Magadan Continental Shelf

In May 2013, INPEX agreed with Rosneft on cooperation in two exploration blocks in the Sea of Okhotsk, approximately 50–150 kilometers south of Magadan city. No final agreement, however, has been announced to establish a joint venture that would conduct exploration work.

Natural Gas Cooperation

This section takes a closer look at discussions about cooperation on natural gas, which should be distinguished from other fossil fuels. The development of oil and coal deposits is easier because their project operators have relative flexibility. They do not need large initial investments in gas transportation facilities. Oil and coal are commodities with liberalized, open markets. On the other hand, natural gas development projects are more complicated and require careful consideration before implementation. At least so far, both its technical

[2] For an example, see Zolotoj Rog. "Vladivostokskii SPG Ushel iz Prioritetov 'Gazproma,' no v Planakh Ostalsia" [Vladivostok LNG No Longer a Priority for Gazprom, Although Plans Remain]. October 7, 2015. Accessed January 25, 2016. http://www.zrpress.ru/business/primorje_07.10.2015_74492_vladivostokskij-spg-ushel-iz-prioritetov-gazproma-no-v-planakh-ostalsja.html.

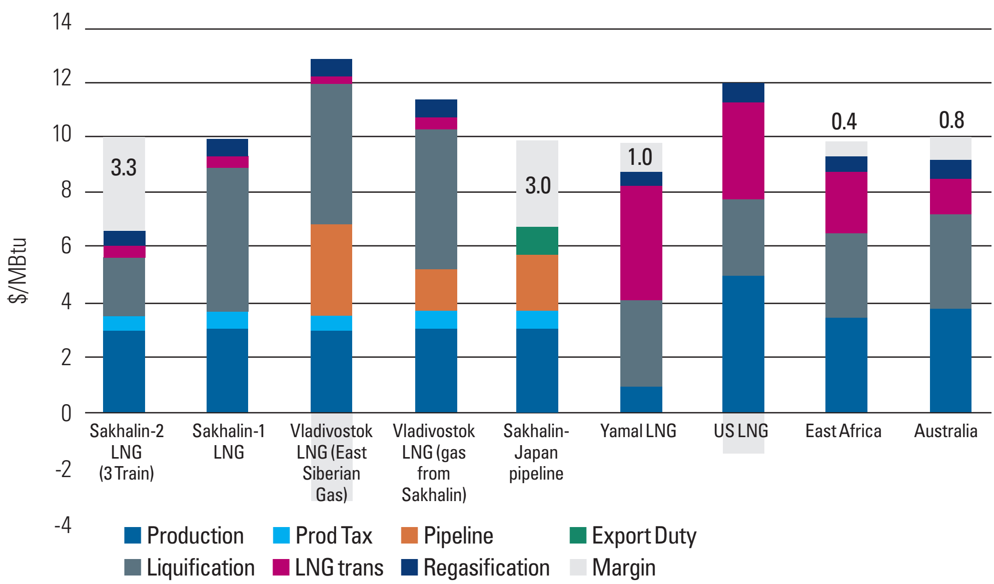
features and trade practices have made the natural gas business very complicated. It is not a coincidence that coal cooperation projects could become a reality, even in the Soviet era, and oil production in the Sakhalin projects started earlier than gas production. The fact that the ESPO oil pipeline was realized much earlier than the "Power of Siberia" gas pipeline is another confirmation of their substantial differences. Natural gas projects need stable business conditions during their long project lifespans.

In this regard, it is quite natural that both governments found a potential joint project in the gas sector, aimed at upgrading bilateral cooperation after the successful cooperation in the ESPO project. If they were to succeed with Vladivostok LNG, they could announce that bilateral cooperation has reached a new stage with more stable and deeply interconnected relations.

The other options to transport Russia's natural gas are expansion of Sakhalin-II LNG, the Far-East LNG proposed by Rosneft, the Sakhalin-Japan pipeline, and the Vladivostok-Japan pipeline. The Vladivostok LNG was the frontrunner, while it was seen as a priority for bilateral cooperation. The situation changed when Russia agreed with China to supply natural gas from East Siberia. At this moment, all options have a chance to be realized.

One determinant is price competitiveness. In this regard, the Sakhalin-II LNG expansion and the Sakhalin-Japan pipeline surpass the others, as they can be realized at a lower cost (see fig. 3). There is, however, another significant determinant: the probability

Figure 3. Cost of natural gas supply to Japan.



Russian LNG, and especially pipeline gas, is more competitive at $10/Mbtu, some projects—even at $8/Mbtu

Presented at the "Eighth Japan-Russia Energy and Environment Dialogue in Niigata," November 4, 2015. Courtesy of Tatiana Mitrova.

of changes in natural gas export regulations. The current regulations restrict the amount of natural gas to Sakhalin-I, which is the only available source of exports to Japan in the short-term. If the government would lift the exclusive right of Gazprom to export pipeline natural gas and/or expand eligibility for the export duty exemption to all Far Eastern natural gas, including pipeline exports, Rosneft would be able to pursue a wider variety of export options. It is difficult to foresee how the struggle between Gazprom and Rosneft will be settled, which makes the future of export options uncertain. On the Japanese side, as well, there is no consensus on import options.

Factors Leading to Stagnation in Energy Cooperation

It might not be fair to conclude that energy cooperation between the two countries has now reached a point of stagnation, because there are several ongoing cooperative projects, as reviewed above, along with other joint projects in the fields of energy saving and renewable energy, which are not discussed here. Nevertheless, the current drift in the flagship project, Vladivostok LNG, alone, should be convincing evidence that momentum has been lost and stagnation may be occurring.

There are structural and temporary factors discouraging a large-scale energy cooperation project, particularly in natural gas. Structural or longstanding impediments are: discord between energy business mechanisms, resource nationalism, and domestic rivalry.

First, there are specific features in Japan's energy resource procurement abroad. Traditionally, procurement is handled by competent, major trading companies, including Mitsubishi, Mitsui, Sumitomo, Itochu, Marubeni, and Sojitsu. Meanwhile, the state-owned companies, INPEX, JAPEX, and JOGMEC, participate in less commercially viable projects with low-cost funding from the government. They all are mediators and need explicit or implicit consent from buyers (power generation companies, gas utilities, or large industries) before deciding to invest in LNG projects. In terms of both scale and function, Japanese players are heavily dependent on the government (ANRE), other trading and/or oil companies, and buyers. The Russian government and Gazprom seem to be bewildered in identifying and communicating with their counterparts. The problem is obvious, comparing Japan with China or South Korea, where CNPC, KOGAS, and some other state-owned enterprises could act as self-sufficient partners.

Second, Russia strengthened its resource nationalism policy during the period of higher energy prices. In practical terms, it closed the door for Japan to take part in the development of attractive assets, which might have encouraged the Japanese side to act much more positively. At the same time, the policy created a perception problem, arousing suspicions within Japanese society about the supply stability from Russia.

Third, the domestic rivalry between Gazprom and Rosneft complicates the situation. As reviewed above, the partners of Gazprom involved in Vladivostok LNG are the

consortium members of the Sakhalin-I project. Rosneft has not found a way to export natural gas from Sakhalin-I. In Japan, there is uncertainty about the choice between pipeline gas and LNG.

In the context of structural barriers to energy cooperation, I argue that the territorial dispute is not a serious obstacle. The Japanese investors in the Sakhalin projects, including state-owned enterprises, have dared to go across the border to the Sakhalin region, the administration of which covers the Kuril Islands, including the Northern Territories. Thus, Japan does not allow this territorial issue to interfere with energy development.

Among discouraging factors that are short-term or temporary, there are energy resource prices, the sanctions against Russia, and energy sector reforms in Japan. Although it might be too obvious that a low price for oil or gas depresses resource development projects, the Vladivostok LNG project is a special case with even more severe conditions. In order to achieve price competitiveness with other gas sources, such as Sakhalin-II LNG, Vladivostok LNG needs to procure cheap gas, which would be possible only through cross-subsidies for long-distance pipeline transport to the plant site. This means that the project is very vulnerable. When energy prices go down, either the project must operate with a loss, or the cross-subsidy would impose a heavy burden on domestic consumers. In short, the project can go forward only under high energy prices.

The sanctions against Russia matter to some extent, but not critically. The impact is more psychological than material. My recent conversations with Japanese businesspeople suggest that they hesitate to take bold steps, particularly given the risks of violating sanctions. To be fair, however, Japanese businesspeople have never been brave in Russia, where they fear changing conditions could leave them with unfavorable financial commitments.

The simultaneity of Japan's energy market liberalization and the Fukushima accident complicated the situation. A detailed examination of this issue is unnecessary here; the key point is that uncertainty about future market conditions creates difficulties in making long-term commitments for huge investment projects.

Conclusion

The fact that Japan, one of the largest energy importers, has a neighbor—Russia—that is one of the largest energy exporters, makes it natural that the two countries would cooperate in the energy sector. Even though Abe expressed his strong intention to improve bilateral relations and eventually to put an end to the longstanding territorial dispute and conclude a peace treaty, there are no signs of a breakthrough. This impasse may be partly due to the failure to reach even a tentative understanding on any large-scale energy project, apart from a few that date from earlier periods. Recently, the Vladivostok LNG project was considered the most likely choice for opening a new era of deepening mutual trust through

long-term, pragmatic cooperation. As preparation continues for a Putin visit to Tokyo in 2016, however, external and internal conditions have changed significantly, making it more difficult for the two governments to identify a project that would serve as a new symbol of cooperation.

In my personal view, there are three scenarios that might lead to a possible symbolic, bilateral energy cooperation project. One is to start new, joint exploration and/or development projects in onshore oil fields, which are not the target of the existing sanctions. Igor Sechin, president of Rosneft, proposed several such oil fields to Japanese investors at a seminar in Tokyo in November 2015. Among them is the Verkhne-Chon oil field, which is one of the most prominent oil fields discovered in Eastern Siberia and has never been open to foreign investors. As Russia is shifting to opening up investments in natural resources, there should be more chances for big deals. In terms of technical arrangements, this option is easier than other projects. The decision will depend mainly on political and commercial considerations.

In another scenario, it might happen that the two governments would arrange another option to transport natural gas from the Sakhalin-1 project to Japan. It might be a pipeline as proposed prior to 2000, or an LNG plant on Sakhalin as proposed by Rosneft. In fact, to satisfy the diverse interests of stakeholders, both Japanese and Russian, is a time-consuming process. So far, I have not observed any sign of sincere efforts in this direction among the stakeholders.

The least promising scenario is to treat Vladivostok LNG as a symbol of cooperation. Even though there is little chance of realizing this project in the near future, neither the Japanese nor Russian government has officially announced its termination, and it still remains on the cooperation agenda. If negotiations on new flagship projects should fail, officials in charge might feel obliged to return to this project, even though it would serve no other purpose than to buy more time.

History shows that energy cooperation has bolstered bilateral relations between Japan and Russia. I would like to express my hope that advanced energy cooperation will nurture mutual trust and, in turn, become a solid foundation not only for bilateral relations but also for regional stability in Northeast Asia.

Chapter 11

The Russia-Japan Economic Relationship: It Is Political, but Not about the Territories

Alexander Gabuev

Economic ties between Russia and Japan are the most important stabilizing force in their bilateral relations, which technically have not reached a state of durable peace after World War II. Despite very slow progress negotiating the final peace treaty, which ultimately will have to include a settlement of remaining territorial disputes in the Kuril Islands, their trade volume has grown significantly in absolute numbers. From 1999 to 2014, bilateral trade increased around twelve times, from $2.58 billion to $30.8 billion. At the same time, these positive dynamics cannot obscure the sad truth of bilateral relations: neither power is an important trading partner or source of investment for the other.

In 2014, Japan made it to the top ten as a source of Russian imports and a destination for Russian exports, but its share remained at 4.6 percent of imports and 4.3 percent of exports. For the Japanese economy, its western neighbor plays an even less prominent role. In 2014, only 1.3 percent of Japanese exports went to Russia, and 3.6 percent of imports (mostly hydrocarbons) came from Russia. In investments, the picture looks even grimmer, with just 1.29 percent of foreign direct investment to Russia originating in Japan, and just 0.02 percent of outbound Russian investment going to its eastern neighbor. For Japanese companies, Russia comprises just 0.24 percent of their outbound investment.

The low level of economic cooperation between Russia and Japan is surprising, considering the number of factors that would suggest greater potential for mutually beneficial cooperation. Both economies are fairly large (Japan was the third largest global economy in 2013 by nominal gross domestic product (GDP), while Russia was the tenth largest). The structure of the economies is complementary: Japan is a manufacturing superpower with world-class infrastructure and indigenous innovations, while Russia is rich in natural resources (not only hydrocarbons, but also coal, metals, arable land, and water, among others) and requires a leap forward in infrastructure building. The mismatch between potential cooperation opportunities between Moscow and Tokyo on the one

hand and the poor state of current relations in trade and investment on the other requires explanation.

Based on a series of interviews with Russian and Japanese sources (officials, businesspeople, and experts) conducted from March through July 2015, this chapter argues that the major obstacle for development of the economic relationship lies in politics. But political problems are not limited to their decades-old territorial dispute, as simplistic, conventional wisdom might suggest. Rather, the real problems that hinder Japanese investment into Russia and the volume of bilateral trade are the direct result of the schism between Moscow and the West, aggravated by the introduction of economic sanctions against Russia in 2015, and the Russian government's own difficulties managing its national economy. If these factors are not addressed, resolution of the territorial dispute will not help to increase bilateral economic cooperation between Moscow and Tokyo.

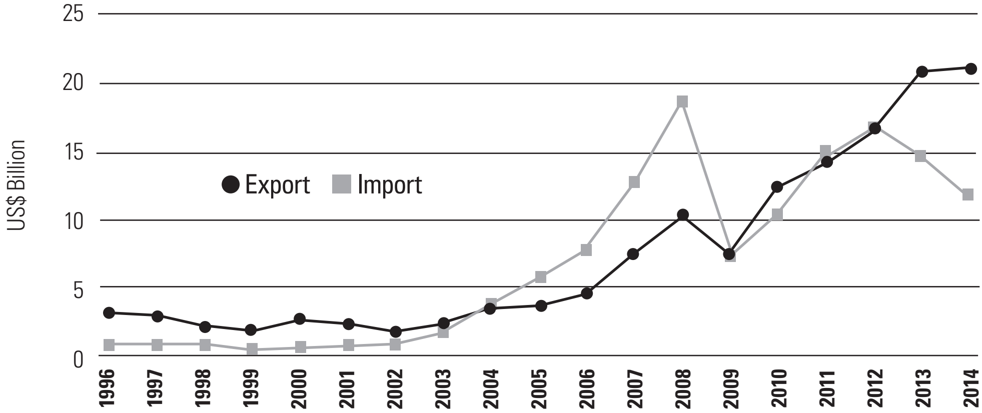
Close, but Not Important

Since the breakup of the Soviet Union and emergence of an independent Russia in December 1991, economic relations with Japan entered a new stage. During the Cold War, trade with Japan remained very limited: not only did the Soviet Union not have any infrastructure to export oil and gas to its Asian neighbors, but foreign investment in the Russian Far East was impossible, and many areas were developed as military outposts against the United States and its Asian allies, as well as China. After the Soviet Union was dissolved, many limitations on bilateral cooperation disappeared. In the early 1990s, bilateral ties were driven mainly by the regional players in the Russian Far East, as Moscow's political and economic control over the region was weak. Major players in the local economy were local business groups, often directly controlled by or paying "protection fees" to criminal gangs. A big share of bilateral trade remained in "black" or "grey" areas of smuggling, illegal fishing activities, and duty-free imports of used Japanese cars to the Russian Far East (they were further redistributed to Siberia and even European Russia through the "Green Corner" market in Vladivostok). Towards the end of the 1990s, however, relations became more formally structured. After the election of Vladimir Putin as president in 2000, the central government's control over the region was gradually restored. Former mafia clans transformed themselves into "normal" companies, and gang leaders were coopted into the political elite.

Bilateral trade over the last eighteen years has expanded dramatically—around twelve times. The following graph shows rising trade volumes between 1996 and 2014 (see fig. 6).[1] Several important observations can be made. First, the volume of trade started to pick

[1] The author wants to thank Tomohiro Harada, his research assistant at the Carnegie Moscow Center.

Figure 4. Russia's exports to and imports from Japan, 1996–2014.



Source: UN Comtrade/Rosstat.

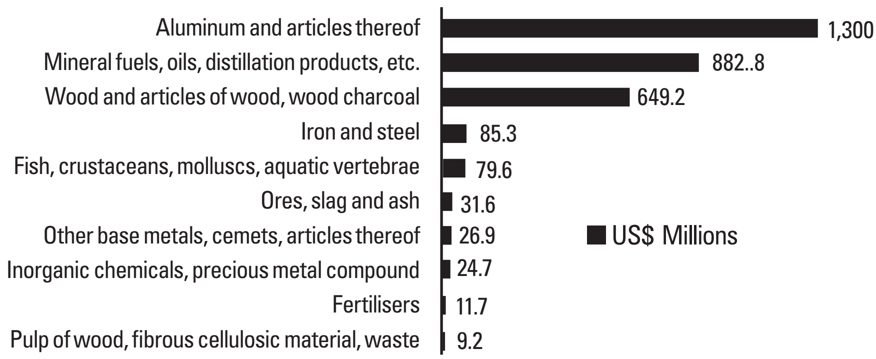
up in 2003 and was constantly rising, except for the brief period of decline in 2009, due to the effects of the global financial crisis and oil price collapse. Second, there are two periods when the trade balance was in favor of Japan: 2004 through 2009 and 2011 through 2012. Since 2012, we have observed a steep rise in Russia's exports to Japan (from $15.59 to $19.88 billion in 2014) matched by a decline in Japanese exports to Russia (from $15.68 billion to just $10.92 billion in 2014).

The dramatic increase in Russia's export volume to Japan starting from 2010 ($12.49 compared to $7.26 billion in the previous year) can be explained by two factors. First is the startup of a liquefied natural gas (LNG) plant on Sakhalin Island—a project in which the Russian gas monopoly Gazprom is a controlling shareholder (50 percent plus one share) and the Japanese firms Mitsui (12 percent) and Mitsubishi (10.5 percent) are minority stakeholders (27.5 percent minus one share belong to Royal Dutch Shell).[2] Second is the operation of the Eastern Siberia–Pacific Ocean (ESPO) oil pipeline in December 2012, with the port of Kozmino as a base for the export of Eastern Siberian oil to Asian-Pacific markets.[3]

The launch of these two projects has fortified Russia's position as an important supplier of oil and gas to Japan. According to the U.S. Energy Information Administration, Japan relied on Russia for 8 percent of its oil imports (eleven months of 2014) and 10 percent

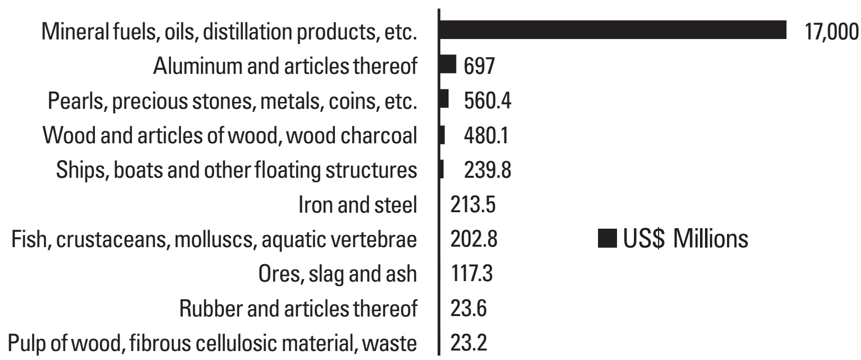
[2] For more information on the Sakhalin-2 project, including recent production and distribution statistics, see the Sakhalin Energy website (http://www.sakhalinenergy.ru/en/company/overview.wbp).
[3] Transneft. "Eastern Siberia-Pacific Ocean Pipeline System. Skovorodino – Kozmino Section (ESPO-2)." Accessed March 1, 2016. http://www.en.transneft.ru/about/projects/realized/10709/.

Figure 5. Top ten export items from Russia to Japan in 2004. (Total export: US$ 3,400 million)



Source: UN Comtrade/Rosstat.

Figure 6. Top ten export items from Russia to Japan in 2013. (Total Export: US$ 19,670 million)



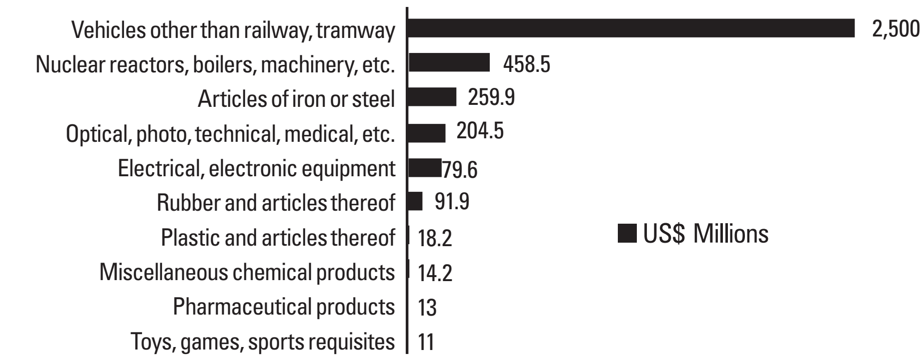
Source: UN Comtrade/Rosstat.

of LNG imports (2013).[4] Another consequence of these two large projects was the reinforcement of the current trade structure between the two countries, in which Japan is home to sophisticated exports, while Russia is merely a commodity exporter. This trend is illustrated in figures 5 through 8, reflecting the structure of Russia's exports to Japan and Japan's exports to Russia in 2004 and 2013.

As is evident from figures 5 and 6, the major trend in the Russian export structure is the steady growth of the mineral fuels group in the overall export volume. In 2003, the main export item was aluminum (about 38.2 percent) with mineral fuels occupying the second

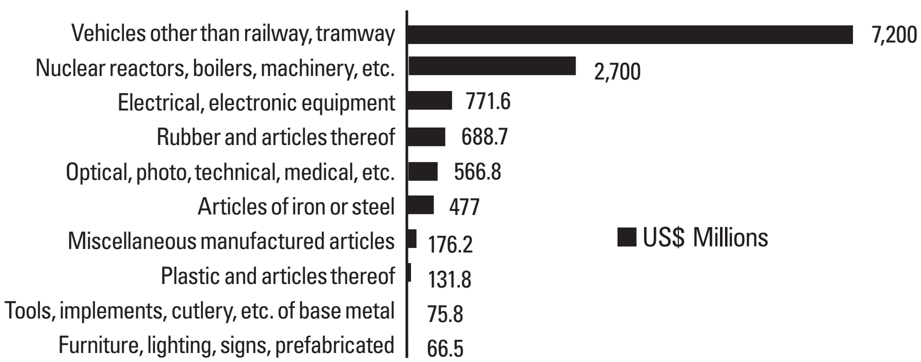
[4] U.S. Energy Information Administration. "Japan." January 30, 2015. http://www.eia.gov/beta/international/analysis.cfm?iso=JPN.

Figure 7. Top ten import items from Japan in 2004. (Total import: US$ 3,900 million)



Source: UN Comtrade/Rosstat.

Figure 8. Top ten import items from Japan in 2013. (Total import: US$ 10,920 million)



Source: UN Comtrade/Rosstat.

spot in the trade structure, with just 26 percent. In 2013, the picture was entirely different, with mineral fuels comprising 86.4 percent of Russian exports, while aluminum's share was scaled down to just 3.5 percent.

The dynamics of imports from Japan over the same time frame show that the overall structure has not much changed over the decade of 2004–2013, as reflected in figures 7 and 8.

Having identified the trade pattern between Russia and Japan (it can be formulated as "Russian oil and gas in exchange for Japanese machinery"), I still need to answer the main question: how economically important is each country to the other? This can be done through analysis of trade shares. The data are shown in table 2.

Table 2. Trade between Russia and Japan, by year.

	RUSSIA				JAPAN			
	Export to Japan/ Total Export		Import from Japan/ Total Import		Export to Russia/ Total Export		Import from Russia/ Total Import	
	Rank	%	Rank	%	Rank	%	Rank	%
1996	7	3.8%	13	1.6%	37	0.2%	18	1.1%
1997	10	3.4%	15	1.5%	37	0.2%	18	1.2%
1998	11	3.0%	14	1.9%	40	0.3%	20	1.0%
1999	12	2.9%	17	1.5%	49	0.1%	18	1.2%
2000	14	2.7%	14	1.7%	50	0.1%	21	1.2%
2001	14	2.4%	13	2.1%	42	0.2%	21	1.1%
2002	18	1.7%	15	2.1%	33	0.2%	22	1.0%
2003	19	1.8%	9	3.3%	31	0.4%	21	1.1%
2004	16	1.9%	5	5.2%	25	0.6%	21	1.3%
2005	19	1.5%	4	5.9%	23	0.8%	21	1.2%
2006	17	1.5%	4	5.7%	20	1.1%	22	1.1%
2007	14	2.1%	4	6.4%	13	1.5%	14	1.7%
2008	14	2.2%	3	7.0%	11	2.1%	15	1.8%
2009	14	2.4%	7	4.2%	27	0.6%	17	1.6%
2010	10	3.1%	4	4.5%	20	1.0%	13	2.3%
2011	11	2.8%	4	4.9%	15	1.4%	13	2.2%
2012	9	3.0%	4	5.0%	15	1.6%	13	2.3%
2013	6	3.7%	7	4.3%	14	1.5%	12	2.8%
2014*	6	4.6%	5	4.3%	18	1.3%	10	3.1%

Source: UN Comtrade (http://comtrade.un.org/labs/BIS-trade-in-goods), except for 2014 data marked by * from Rosstat (http://www.gks.ru/bgd/regl/b15_12/IssWWW.exe/stg/d02/27-06.htm).

As is clearly seen in the data, the two countries' economic importance to each other is growing but remains relatively small. The years 1999–2006 can be identified as a period during which Russia and Japan were not a priority for each other. From 1999 to 2004, Russia was a destination for just 0.1–0.4 percent of Japanese exports, ranking from thirty-first to fifteenth as a partner. For Russia, in 2005 and 2006, Japan accounted for just 1.5 percent of its exports.

The recent figures show that Japan's role as a source of imports and destination for exports has grown. Since 2010 (launch of Sakhalin-2), Japan has been among the top ten export destinations for Russia, and its share is growing—from 2.8 percent in 2011 to 4.6

percent in 2014 (sixth in rank). As for imports, Japan has been on the top ten list since 2003 and accounts now for 4.3 percent of Russian imports (fifth in rank)—much better than in the past, but still a far cry from 19 percent, China's share of Russian imports the same year.[5] For Japan, the relative importance of Russia is even smaller. Only in 2014 did Russia make it onto the top ten list of imports for Japan, with a share of 3.1 percent (tenth in rank), but it remained a destination for just 1.3 percent of Japanese exports (eighteenth in rank).

The share of bilateral investments is even smaller. According to Russian Central Bank statistics, Japan's share of Russian outbound foreign direct investment has never exceeded 0.04 percent (2007) and was 0.02 percent in 2014.[6] Japan's share of foreign direct investment to Russia peaked in 2013, but remained at modest levels of 1.29 percent.[7] For Japan, the share of investments to Russia has grown over the last fifteen years, from 0.03 percent in 2001 to 0.24 percent in 2014. Investment from Russia totaled 0.02 percent in 2014.[8]

The negative dynamics became even more evident in 2015. According to Japan's Ministry of Finance statistics,[9] the volume of bilateral trade in the twelve months of 2015 was just slightly over $20.8 billion, of which $5.1 billion was Japan's exports to Russia, and $15.7 billion was Japan's imports. The overall volume of trade has, thus, decreased by 32.5 percent, with Japan's export collapsing by 53.3 percent and imports decreasing by 21 percent. These figures can be explained by two factors: decreasing commodity prices and the contraction of the Russian economy. As Ambassador Evgeniy Afanasiev pointed out in his December 22, 2015 remarks to the press, the physical volume of oil shipped to Japan increased in 2015 by ten percent,[10] so the drop in hydrocarbons-dominated Russian exports can be explained by the decline of commodity prices. The Russian Ministry of Economic Development has published a document that also blames the 30 percent drop in Russia's exports on low oil prices (the Ural's reference price decreased by around 50 percent in 2015).

The dramatic collapse of imports from Japan can be attributed to economic turbulence

[5] Ministry of Economic Development of the Russian Federation. "Analiticheskaia Spravka o Rossiisko-Kitaiskom Torgovom Sotrudnichestve v Ianvare-Sentiabre 2015 Goda" [Analytical Review of Russian-Chinese trade cooperation in January-September 2015]. Accessed March 1, 2016. http://www.ved.gov.ru/exportcountries/cn/cn_ru_relations/cn_ru_trade/.

[6] Bank of Russia. "Russian Federation: Outward Foreign Direct Investments by Russian Residents, by Instruments and Geographical Allocation, 2007 - 2013." Accessed March 1, 2016. http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/inv_out-country_e.htm&pid=svs&sid=ITM_4401.

[7] Bank of Russia. "Russian Federation: Inward Foreign Direct Investment, by Geographical Allocation, 2007–2013 (equity, Reinvestment of Earnings, Debt Instruments)." Accessed March 1, 2016. http://cbr.ru/eng/statistics/print.aspx?file=credit_statistics/inv_in-country_e.htm.

[8] JETRO. "Chokusetsu Tōshi" [Foreign Direct Investment]. Accessed March 1, 2016. https://www.jetro.go.jp/world/japan/stats/fdi.html.

[9] Japan Ministry of Finance. "Trade Statistics of Japan." Accessed March 1, 2016. http://www.customs.go.jp/toukei/srch/indexe.htm.

[10] Ekonomika Segodnia. "Tovarooborot s Iaponiei v 2015 Godu Snizilsia na 30%" [Trade with Japan decreased by 30% in 2015]. December 22, 2015. http://rueconomics.ru/138833-tovarooborot-s-yaponiey-v-2015-godu-snizilsya-na-30.

in Russia and ruble devaluation, which can be traced to price shocks in the global commodity markets, but was also affected by Western economic sanctions. The ruble has lost more than 50 percent of its value since March 2014, and the ongoing currency volatility (reflecting the volatility of oil prices) has spooked many investors and affected the ability of Russian firms and households to buy expensive, imported goods, including those from Japan. The economy contracted in 2015 by 3.7 percent.[11]

The outlook for 2016 and beyond continues to be grim. According to the Ministry of Economic Development forecast, if the oil price for 2016 hits a projected US$50 a barrel, Russia's GDP will grow by a modest 0.7 percent. But if the price of a barrel of oil is US$40, Russia's economy will contract by one percent. The adjustment process will be most painful for the state and for ordinary citizens. According to Minister of Finance Anton Siluanov, the budget for 2016 will be balanced only if the price of oil reaches US$82—a figure that seems unrealistic to all industry analysts. Russia's Development Center of the Higher School of Economics has calculated that, if the oil price drops to the US$25 mark, the budget will lose about 3.4 trillion rubles in revenue and will need to be cut by 20 percent in order to maintain a three percent GDP deficit level.[12]

Facing that reality, Russian officials in private conversations do not expect a major influx of foreign investors to Russia, either in resource sectors or in businesses targeting the Russian market. There may be some investments motivated by strategic considerations of accessing natural resources (examples include the Chinese *Silk Road Fund* investment in the Yamal LNG project in December 2015), but no major developments with investors who have only economic motivation, including Japanese companies.[13]

Investment Climate: Will It Ever Get Warm Enough?

Even before the 2014–2015 economic downturn, the low amounts of trade and investment between Russia and Japan could be called surprising, considering the size of both economies, their geographic proximity, and the complementary structures of their economies. Japan's drive to diversify suppliers, and Russia's strategy to develop the Far East as a manufacturing hub by attracting smart money from developed economies in the Asia-Pacific, make cooperation between the two countries natural. Why is it not happening, or at least not on a scale Moscow and Tokyo might desire? It is worth listening to the people who

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[11] Interfax. "Rosstat Otsenil Padenie VVP Rossii v 2015 Godu v 3,7%" [Rosstat Estimates Russian GDP Fell 3.7% in 2015]. Vedomosti. https://www.vedomosti.ru/economics/news/2016/01/25/625319-rosstat-padenie-vvp.
[12] Interfax. "Tsentr Razvitiia VShE: pri Nefti v $25 Rossiiskii Biudzhet Poteriaet Okolo 20% Dokhodov" [Higher School of Economics: with Oil at $25 per Barrel, Russian Budget will Fall Short by 20%]. 22 January, 2016. Vedomosti. https://www.vedomosti.ru/economics/news/2016/01/22/625085-vshe-nefti-25-20-dohodov.
[13] Confidential interviews with Russian officials during the Gaidar Economic Forum in Moscow, January 13-15, 2015.

shape the economic relations between Russia and Japan—businesspeople and officials on both sides.

So far, there is just one major, ongoing study of Japanese investors' attitudes towards Russia, conducted by the Japan External Trade Organization (JETRO), whose latest available survey was conducted in 2014 and published in March 2015.[14] Among 94 companies surveyed, 78.5 percent of respondents indicated "exchange rate volatility" as the most pressing risk for their investment in Russia (48.4 percent in 2013). The next most important risk factor identified by respondents was "unstable political and social climate" (74.2 percent, a twofold increase from 37.1 percent in 2013). The third risk was the complexity of administrative procedures, which was cited by 67.5 percent of respondents; and the complexity of the tax system was cited by 59.1 percent. It is worth noting that 55.9 percent of respondents said they feel the negative impact of Western sanctions on their business.

In-depth interviews, conducted from March through December 2015 in Tokyo, Sapporo, Vladivostok, and Moscow, confirm this picture and add to its complexity. The interviewees included twenty Russian and Japanese diplomats in charge of trade and investment and representatives of large companies (with 60 percent in the oil and gas sector and 30 percent in banking) on both sides.

Most of the Japanese interviewees divided the barriers into two large categories. One was the omnipresent problems related to Russia's management of the economy, particularly in the Russian Far East. Many of them were listed in the JETRO survey, including the complexity of administrative procedures, complexity of the tax regime, underdeveloped legislation and non-transparent implementation, unclear policy orientation of the government, and restrictions on foreign investments.[15] Other problems mentioned were renegotiations of existing federal rules, which may affect future investment projects. (A case in point was reports about renegotiation of the energy industry's taxation system.)[16] The Japanese investors and officials pointed out that the pace of changing rules seems to have increased since 2013.

The other group of negative factors included a recent combination of political and economic trends following Russia's annexation of Crimea and its growing involvement in the Ukrainian war, coupled with the impact of declining oil prices. One of the interviewees called this combination "a perfect storm of Fukushima magnitude" for Japanese investors

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[14] JETRO. "2014 Survey on Business Conditions of Japanese-Affiliated Firms in Russia." March 2015. https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/2015_03_biz.pdf.
[15] Ibid., 37.
[16] Papchenkova, Margarita, and Petr Tretyakov. "Minenergo Ne Sobiraetsia Meniat' Nalogovyi Manevr, Nesmotria Na Zhaloby Sechina" [Energy Ministry Will Not Adjust Tax Maneuver, Despite Sechin's Complaints]. Vedomosti. June 8, 2015. http://www.vedomosti.ru/economics/articles/2015/06/08/595567-minenergo-ne-sobiraetsya-menyat-nalogovii-manevr-nesmotrya-na-zhalobi-sechina.

in Russia. The falling oil price made many of the projects the Russian side has pitched to various Japanese players less attractive, including large projects like Yamal LNG. Meanwhile, global oversupply in the oil markets made the challenge of managing energy security less pressing.

The volatility of the ruble became another issue, which was tightly linked to the oil price. It was not the devaluation, which decreased costs of building infrastructure in Russia, but rather volatility of the exchange rate and difficulties in calculating reliable financial models for investment projects in Russia that greatly worried Japanese investors. For investors in manufacturing (most notably carmakers), targeting the Russian market became less attractive as a result of the shrinking economy and the decline in disposable income.

Last, but not least, came the sanctions. Japan has introduced sanctions as part of the G7 collective action against Russia. But European and U.S. sanctions, particularly the package of sectorial sanctions introduced in September 2014 after the downing of Malaysian Airlines Flight 17, caused a lot of nervousness for potential Japanese investors. This factor is also acknowledged by Russian authorities, as the remarks by Ambassador Evgeny Afanasiev show.[17] Concerns were raised over the possibility of different technologies in the oil and gas sectors being included in the U.S. sanctions list (particularly LNG-related technologies). The worries were caused by the U.S. Treasury's ability to include particular assets on the sanctions list—like the South-Kirinskoe gas field in August 2015,[18] which has caused many problems for Gazprom and Shell.[19] Some problems were seen in projects like Yamal LNG,[20] when French shareholder Total tried to negotiate a loan with the Japanese Bank of International Cooperation.[21]

Added to the list of factors preventing deeper investment cooperation between Russia and Japan was the Trans-Pacific Partnership (TPP). Japan became one of the original signatories to this treaty, while in Russia it was met with hostility. Moscow made clear that joining the treaty is not on its agenda. TPP has yet to be ratified by twelve legislative bodies, including the U.S. Congress in an election year, but, if ratified, the treaty could change foreign direct investment flows in the Asia-Pacific, decreasing non-members' (including

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17 Rossiia Segodnia. "Rossiiskii Posol Vyskazalsia o Vliianii Sanktsii Iaponii v Otnoshenii RF" [Russian Ambassador Spoke about the Impact of Japan's Sanctions against Russia]. December 22, 2015. http://ria.ru/economy/20151222/1346603625.html.

18 Industry and Security Bureau. "Russian Sanctions: Addition to the Entity List to Prevent Violations of Russian Industry Sector Sanctions." *Federal Register*. August 07, 2015. https://federalregister.gov/a/2015-19274.

19 This article describes how both companies have difficulties in bypassing imposed restrictions: Barsukov, Yuri. "'Gazprom' i Shell Podnyrnuli pod Sanktsii" [Gazprom and Shell Ducked under Sanctions]. *Kommersant*. September 30, 2015. http://www.kommersant.ru/doc/2821271.

20 Reuters. "Financing for Russia's Yamal LNG Plant Stalls - Sources." October 19, 2015. http://uk.reuters.com/article/2015/10/19/russia-novatek-yamal-financing-idUKL8N12G2F020151019.

21 Oil & Gas Eurasia. "Total Negotiating Financing of Yamal LNG Project with Japanese Banks." October 8, 2015. https://www.oilandgaseurasia.com/en/news/total-negotiating-financing-yamal-lng-project-japanese-banks.

Russia's) shares in those investments. So far, Moscow has answered by proposing a project of "economic partnership" among the Eurasian Economic Union, the Shanghai Cooperation Organization, and the Association of Southeast Asian Nations (ASEAN). This idea was introduced in Vladimir Putin's December 3, 2015, national address without much detail.[22] No matter what results this ambitious initiative brings, Japan is not projected to be a member in this framework.

Another set of factors can be sourced from the interviews on the Russian side. Confirming many trends identified by Japanese experts and businesspeople, the Russians also identify new challenges that prevent development of economic relations. Many interviewees mentioned that the economic side of the relationship is often viewed in political terms by Moscow. Some high-level people expect that Japanese companies will invest in Russia as a result of a political rapprochement between Putin and Prime Minister Shinzo Abe. For them, the key obstacle to unlocking the potential of the Russian Far East to Japanese money is the territorial dispute—as soon as the deal is achieved, the argument goes, investors from Japan will flood into Russia. Another school of thought in Moscow hopes for increased Japanese investment as a result of dramatic change in Sino-Russian relations, following the Ukraine crisis. This group of officials hopes to play Japan against China in competition for the resources of the Russian Far East—that is, fearing that Russia may fall into China's arms, Tokyo will "order" Japanese companies to invest. Both schools tend to think that large companies in Japan obey government instructions, and that Tokyo is ready to use its economic leverage for geopolitical goals.

These expectations of the political leadership and many diplomats are unrealistic, as many practitioners on the Russian side point out. The economic-financial team in the government, headed by First Vice Premier Igor Shuvalov (he also chairs a bilateral governmental commission on Russia-Japan cooperation), is aware of the real state of things and channels its views to the Kremlin. It was not until the middle of 2015 that the Russian assessment of prospects for deeper economic cooperation between Tokyo and Moscow started to become more realistic. This fact points to a broader problem in Russia's policy towards the Asia-Pacific: lack of an independent, large, and influential expert community to help the government and national companies craft a realistic strategy.

Japanese studies in Russia face the same problems as many area studies, particularly focused on Asia.[23] Dmitry Streltsov, head of the Department for Asia Studies at the prestigious Moscow State Institute of International Relations and one of the leading

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[22] President of Russia. "Presidential Address to the Federal Assembly." December 3, 2015. http://en.kremlin.ru/events/president/news/50864.

[23] An example of the state of Russia's China watching community can be found in: Gabuev, Alexander. "Russia's Policy towards China: Key Players and the Decision-making Process." *The Asan Forum*. March 5, 2015. http://www.theasanforum.org/russias-policy-towards-china-key-players-and-the-decision-making-process/.

Japan specialists, argued in a recent interview that the major problems are lack of funds for research, a growing generation gap, the deteriorating quality of training, and the hostile attitude towards U.S. allies, including Japan. The problems with Japan-watching are evident not only in the academic community but also in the private sector, with lack of independent consultancies and advisors as well as the small number of in-house experts. Thus, the policy and economic strategy on the Russian side is ill-informed, and, thus, many expectations can be unrealistic.

Conclusion

Regarding the territorial dispute, many Russian and Japanese diplomats cite the issue as the major barrier for increasing bilateral trade. This seems to be one of the incentives to engage in discussions on Moscow's side, despite Russia's overall, hardening position (seen by many as a negotiating tactic). At the same time, officials in Tokyo seem to link the resolution of the decades-long, territorial dispute with the possible increase of Japanese investments to Russia and particularly the Russian Far East. "Pieces of inhabited land for billions in loans, investments, and technology transfers" seems to capture the consensus among many officials on both sides.

The problem is that, in Japan, the government may not have direct control over business the way the Kremlin controls large Russian companies (even private ones). Even if the territorial dispute is resolved, it may not change Japanese businesspeople's perceptions about investing in Russia. Symbolism is important, but the companies cannot ignore either commercial realities (low commodity prices and the declining economy of Russia) or the international environment (sanctions). The most important factor would be normalization of ties between Russia and the West and removal of the sanctions.

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